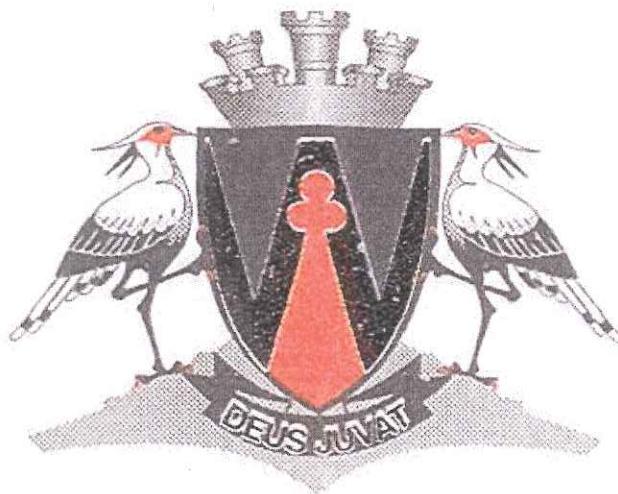


# **CENTRAL KAROO**

## **DISTRICT MUNICIPALITY**



**CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2013**

# CENTRAL KAROO DISTRICT MUNICIPALITY

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# CENTRAL KAROO DISTRICT MUNICIPALITY

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### GENERAL INFORMATION

#### NATURE OF BUSINESS

CENTRAL KAROO Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The CENTRAL KAROO Municipality includes the following municipal areas:

*Beaufort West*

*Prince Albert*

*Laingsburg*

*Merweville*

*Murraysburg*

#### MUNICIPAL MANAGER

*Mr. S. Jooste*

#### CHIEF FINANCIAL OFFICER

*Mr. N.W. Nortjé*

#### REGISTERED OFFICE

*63 Donkin Street, Beaufort West, 6970*

#### AUDITORS

*Office of the Auditor General (WC)*

#### PRINCIPLE BANKERS

*First National Bank, Beaufort West*

*ABSA , Beaufort West*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

# CENTRAL KAROO DISTRICT MUNICIPALITY

## MEMBERS OF THE CENTRAL KAROO DISTRICT MUNICIPALITY

### COUNCILLORS

Mayor	E.Z. Njadu
Deputy Mayor	E. Maans
Speaker	J. Bostander
Councillor	I.J. Windvogel
Councillor	M.S. Hangana
Councillor	M. Furmen
Councillor	G. de Vos
Councillor	J. Mocke
Councillor	S. Botes
Councillor	B. van As
Councillor	A.M. Slabbert
Councillor	S. Nortje
Councillor	D. Willemse

### APPROVAL OF FINANCIAL STATEMENTS

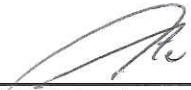
I am responsible for the preparation of these Consolidated annual financial statements year ended 30 June 2013, which are set out on pages 1 to 69 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The consolidated annual financial statements have been prepared in accordance with GRAP.

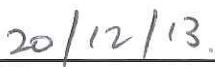
I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
Mr. S. Jooste  
Municipal Manager

  
\_\_\_\_\_  
Date

CENTRAL KAROO DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

Notes	Economic Entity		Municipality	
	2013 R (Actual)	2012 R (Restated)	2013 R (Actual)	2012 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>				
<b>Net Assets</b>	<b>(9 156 721)</b>	<b>(8 200 345)</b>	<b>(9 156 723)</b>	<b>(8 200 345)</b>
Accumulated Surplus/(Deficit)	(9 156 721)	(8 200 345)	(9 156 723)	(8 200 345)
<b>Non-Current Liabilities</b>	<b>14 237 803</b>	<b>13 445 207</b>	<b>14 237 803</b>	<b>13 445 207</b>
Long-term Liabilities	2 105 009	131 435	105 009	131 435
Employee benefits	3 14 132 794	13 313 772	14 132 794	13 313 772
<b>Current Liabilities</b>	<b>11 363 094</b>	<b>10 953 605</b>	<b>11 363 094</b>	<b>10 953 605</b>
Current Employee benefits	3 3 278 585	2 095 886	3 278 585	2 095 886
Payables from exchange transactions	4 5 002 073	2 426 537	5 002 073	2 426 537
Unspent Conditional Government Grants and Receipts	5 3 030 138	4 727 218	3 030 138	4 727 218
Taxes	6 -	-	-	-
Cash and Cash Equivalents	15 -	1 621 640	-	1 621 640
Current Portion of Long-term Liabilities	2 52 298	82 324	52 298	82 324
<b>Total Net Assets and Liabilities</b>	<b>16 444 175</b>	<b>16 198 467</b>	<b>16 444 174</b>	<b>16 198 467</b>
<b>ASSETS</b>				
<b>Non-Current Assets</b>	<b>11 432 487</b>	<b>11 935 309</b>	<b>11 432 487</b>	<b>11 935 309</b>
Property, Plant and Equipment	7 4 071 042	4 835 414	4 071 042	4 835 414
Intangible Assets	9 80 429	122 990	80 429	122 990
Non-Current Investments	10 -	-	-	-
Long-Term Receivables	11 7 281 016	6 976 905	7 281 016	6 976 905
<b>Current Assets</b>	<b>5 011 688</b>	<b>4 263 158</b>	<b>5 011 688</b>	<b>4 263 158</b>
Inventory	12 879 256	1 198 088	879 256	1 198 088
Receivables from non-exchange transactions	13 86 614	631 484	86 614	631 484
Unpaid Conditional Government Grants and Receipts	5 1 462 663	508 095	1 462 663	508 095
Taxes	6 154 850	153 685	154 850	153 685
Current Portion of Long-term Receivables	11 541 268	414 502	541 268	414 502
Cash and Cash Equivalents	15 1 887 037	1 357 304	1 887 037	1 357 304
<b>Total Assets</b>	<b>16 444 175</b>	<b>16 198 467</b>	<b>16 444 175</b>	<b>16 198 467</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	Economic Entity		Municipality	
		2013 (Actual) R	2012 (Restated) R	2013 (Actual) R	2012 (Restated) R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		47 355 039	47 324 984	47 355 039	47 324 984
Transfer Revenue		47 355 039	47 273 328	47 355 039	47 273 328
Government Grants and Subsidies - Capital	16	-	-	-	-
Government Grants and Subsidies - Operating	16	47 355 039	47 131 654	47 355 039	47 131 654
Public Contributions and Donations	17	-	141 674	-	141 674
Other Revenue		-	51 656	-	51 656
Actuarial Gains	3	-	51 656	-	51 656
Revenue from Exchange Transactions		4 336 018	3 928 869	4 336 018	3 928 869
Rental of Facilities and Equipment		95 640	75 404	95 640	75 404
Interest Earned - external investments		98 956	90 964	98 956	90 964
Licences and Permits		19 540	26 045	19 540	26 045
Agency Services	18	2 892 849	2 694 977	2 892 849	2 694 977
Other Income	19	1 229 033	1 041 479	1 229 033	1 041 479
<b>Total Revenue</b>		<b>51 691 057</b>	<b>51 253 853</b>	<b>51 691 057</b>	<b>51 253 853</b>
<b>EXPENDITURE</b>					
Employee related costs	20	7 983 452	2 343 653	7 802 182	2 343 653
Remuneration of Councillors	21	3 214 189	2 819 577	3 214 189	2 819 577
Debt Impairment	22	281 529	-	281 529	-
Depreciation and Amortisation	23	613 373	615 545	613 373	615 545
Impairments	24	18 783	-	256 417	-
Repairs and Maintenance		69 810	111 580	69 810	111 580
Actuarial losses	3	324 718	2 423 825	324 718	2 423 825
Finance Charges	25	1 035 600	1 010 894	1 035 600	1 010 894
Contracted services		640 956	421 747	640 956	421 747
Grants utilised	26	27 015 073	26 726 523	27 015 073	26 726 523
General Expenses	27	11 363 203	10 420 366	11 306 840	10 420 366
Loss on disposal of Property,Plant and Equipment		86 748	19 782	86 748	19 782
<b>Total Expenditure</b>		<b>52 647 434</b>	<b>46 913 492</b>	<b>52 647 435</b>	<b>46 913 492</b>
<b>DEFICIT BEFORE TAXATION</b>		<b>(956 377)</b>	<b>4 340 361</b>	<b>(956 378)</b>	<b>4 340 361</b>
Taxation	28	-	-	-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(956 377)</b>	<b>4 340 361</b>	<b>(956 378)</b>	<b>4 340 361</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

<u>Economic Entity</u>	Accumulated Surplus/ (Deficit)	Total
	R	R
<b>Balance at 1 JULY 2011</b>	<b>(12 936 943)</b>	<b>(12 936 943)</b>
Correction of error - Note 29,6	396 237	396 237
<b>Restated Balance at 1 JULY 2011</b>	<b>(12 540 706)</b>	<b>(12 540 706)</b>
Net Deficit for the year	4 340 361	4 340 361
<b>Balance at 30 JUNE 2012</b>	<b>(8 200 345)</b>	<b>(8 200 345)</b>
Net Deficit for the year	(956 377)	(956 377)
<b>Balance at 30 JUNE 2013</b>	<b>(9 156 721)</b>	<b>(9 156 721)</b>

<u>Municipality</u>	Accumulated Surplus/ (Deficit)	Total
	R	R
<b>Balance at 1 JULY 2011</b>	<b>(12 936 943)</b>	<b>(12 936 943)</b>
Correction of error - Note 29,6	396 237	396 237
<b>Restated Balance at 1 JULY 2011</b>	<b>(12 540 706)</b>	<b>(12 540 706)</b>
Net Surplus for the year	4 340 361	4 340 361
<b>Balance at 30 JUNE 2012</b>	<b>(8 200 345)</b>	<b>(8 200 345)</b>
Net Deficit for the year	(956 378)	(956 378)
<b>Balance at 30 JUNE 2013</b>	<b>(9 156 723)</b>	<b>(9 156 723)</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	<b>Economic Entity</b>		<b>Municipality</b>		
		30 JUNE 2013 R	30 JUNE 2012 R	30 JUNE 2013 R	30 JUNE 2012 R	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Ratepayers and other		4 499 138	955 698	4 499 238	955 698	
Government		44 703 391	48 319 792	44 703 391	48 319 792	
Interest		98 956	90 964	98 956	90 964	
<b>Payments</b>						
Suppliers and employees		(20 132 606)	(16 931 239)	(19 895 072)	(16 931 239)	
Finance charges	25	(34 010)	(76 320)	(34 010)	(76 320)	
Transfers and Grants		(27 015 073)	(26 726 523)	(27 015 073)	(26 726 523)	
<b>Cash generated by operations</b>	<b>30</b>	<b>2 119 796</b>	<b>5 632 372</b>	<b>2 357 430</b>	<b>5 632 372</b>	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of Property, Plant and Equipment		7	(68 442)	(407 856)	(68 442)	
Proceeds on Disposal of Fixed Assets			156 471	-	156 471	
Purchase of Intangible Assets			-	(5 899)	-	
Decrease/(Increase) in Non-current Investments	10		-	(237 634)	(5 899)	
<b>Net Cash from Investing Activities</b>		<b>88 029</b>	<b>(7 390 660)</b>	<b>(149 605)</b>	<b>(7 390 660)</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Loans repaid			(56 452)	(54 637)	(56 452)	
New loans raised			-	45 024	-	
<b>Net Cash from Financing Activities</b>		<b>(56 452)</b>	<b>(9 613)</b>	<b>(56 452)</b>	<b>(9 613)</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>						
		<b>2 151 373</b>	<b>(1 767 901)</b>	<b>2 151 373</b>	<b>(1 767 901)</b>	
Cash and Cash Equivalents at the beginning of the year						
Cash and Cash Equivalents at the end of the year	32		(264 336) 1 887 037	1 503 565 (264 336)	(264 336) 1 887 037	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2 151 373</b>	<b>(1 767 901)</b>	<b>2 151 373</b>	<b>(1 767 901)</b>	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	-	-	-	
Call investment deposits	1 887 037	1 356 004	531 033	The difference is due to the bank balance at year end that is included in this actual balance.
Consumer debtors	-	-	-	
Other Receivables	1 704 127	566 881	1 137 246	An increase in unpaid conditional grants as well as a decrease in receivables from exchange transactions are due to the difference noted.
Current portion of long-term receivables	541 268	-	541 268	
Inventory	879 256	1 198 088	(318 832)	Less inventory on hand at year end as budget for.
<b>Total current assets</b>	<b>5 011 688</b>	<b>3 120 973</b>	<b>1 890 715</b>	
<b>Non current assets</b>				
Long-term receivables	7 281 016	-	7 281 016	
Property, plant and equipment	4 071 042	4 183 678	(112 636)	Impairment of PPE and prior year corrections made are due to the difference noted.
Intangible Assets	80 429	-	80 429	Not budgeted for correctly.
<b>Total non current assets</b>	<b>11 432 487</b>	<b>4 183 678</b>	<b>7 248 809</b>	
<b>TOTAL ASSETS</b>	<b>16 444 175</b>	<b>7 304 651</b>	<b>9 139 524</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	558 641	(558 641)	No overdraft for the current financial year. Budgeted balance was calculated on prior year cashflows.
Borrowing	52 298	131 436	(79 138)	Borrowings relate to the current portion of the finance leases. No new finance leases were entered to as well as two leases that came to an end in the current financial year.
Trade and other payables	8 032 211	846 315	7 185 896	Increase in trade payables are due to all the uncashed cheques written back to trade payables for the current year. Credit debtors were also taken to trade payables.
Provisions and Employee Benefits	3 278 585	-	3 278 585	Not budgeted for. This balance is very difficult to budget for as it fluctuates depending on the actuarial reports from the independent valuers.
<b>Total current liabilities</b>	<b>11 363 094</b>	<b>1 536 392</b>	<b>9 826 702</b>	
<b>Non current liabilities</b>				
Borrowing	105 009	-	105 009	Finance leases budgets are not split between current and non current.
Provisions and Employee Benefits	14 132 794	13 071 520	1 061 274	Increase due to the difficulty in budgeting for employee benefit provision.
<b>Total non current liabilities</b>	<b>14 237 803</b>	<b>13 071 520</b>	<b>1 166 283</b>	
<b>TOTAL LIABILITIES</b>	<b>25 600 897</b>	<b>14 607 912</b>	<b>10 992 985</b>	
<b>NET ASSETS</b>	<b>(9 156 721)</b>	<b>(7 303 261)</b>	<b>(1 853 460)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	(9 156 721)	(14 607 542)	5 450 821	Decrease in surplus are due to better financial performance by CKDM.
Reserves	-	-	-	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>(9 156 721)</b>	<b>(14 607 542)</b>	<b>5 450 821</b>	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

**ADJUSTMENTS TO APPROVED BUDGET**

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	-			
Call investment deposits	196 000	1 160 004	1 356 004	Investment not correctly budgeted for on approved budget.
Consumer debtors	-		-	
Other Receivables	-	566 881	566 881	
Current portion of long-term receivables	-		-	
Inventory	-	1 198 088	1 198 088	Less inventory on hand at year end as budget for.
<b>Total current assets</b>	<b>196 000</b>	<b>2 924 973</b>	<b>3 120 973</b>	
<b>Non current assets</b>				
Property, plant and equipment	4 213 000	(29 322)	4 183 678	Less PPE purchased in the current financial year.
Intangible Assets	-		-	
<b>Total non current assets</b>	<b>4 213 000</b>	<b>(29 322)</b>	<b>4 183 678</b>	
<b>TOTAL ASSETS</b>	<b>4 409 000</b>	<b>2 895 651</b>	<b>7 304 651</b>	
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank overdraft	-	558 641	558 641	No overdraft in the current financial year.
Borrowing	205 000	(73 564)	131 436	No new borrowings occurred in the current financial year.
Trade and other payables	1 000 000	(153 685)	846 315	Less Trade payables than budgeted for.
Provisions and Employee Benefits	-		-	
<b>Total current liabilities</b>	<b>1 205 000</b>	<b>331 392</b>	<b>1 536 392</b>	
<b>Non current Liabilities</b>				
Borrowing	-			
Provisions and Employee Benefits	13 000 000	71 520	13 071 520	Increase due to the difficulty in budgeting for employee benefit provision.
<b>Total non current liabilities</b>	<b>13 000 000</b>	<b>71 520</b>	<b>13 071 520</b>	
<b>TOTAL LIABILITIES</b>	<b>14 205 000</b>	<b>402 912</b>	<b>14 607 912</b>	
<b>NET ASSETS</b>	<b>(9 796 000)</b>	<b>2 492 739</b>	<b>(7 303 261)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	(11 605 810)	(3 001 732)	(14 607 542)	Decrease in surplus are due to better financial performance by CKDM.
Reserves	-		-	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>(11 605 810)</b>	<b>(3 001 732)</b>	<b>(14 607 542)</b>	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
<b>REVENUE BY SOURCE</b>				
Rental of facilities and equipment	95 640	82 500	13 140	Not material
Interest earned - external investments	98 956	70 000	28 956	Not material
Interest earned - outstanding debtors	-	-	-	
Licences and permits	19 540	11 500	8 040	Not material
Agency services	2 892 649	2 900 000	(7 151)	Not material
Government Grants and Subsidies - Operating	47 355 039	49 967 495	(2 612 456)	Differences is due to the Financial yearends of Roads and Work for water grant differ from CKDM's.
Other revenue	1 229 033	1 075 100	153 933	Higher milk sales than budgeted for.
Gains on disposal of PPE	-	-	-	
<b>Total Operating Revenue</b>	<b>51 691 057</b>	<b>54 106 595</b>	<b>(2 415 538)</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	7 983 452	8 372 381	(388 929)	Decrease due to no CFO appointed in the current financial year.
Remuneration of councillors	3 214 189	3 134 854	79 335	Increase in allowances and salaries for councilors.
Debt impairment	-	-	-	
Depreciation & asset impairment	632 156	650 169	(18 013)	No new PPE purchased as well as the selling of old PPE.
Finance charges	1 035 600	942 718	92 882	Increase in Employee benefit finance charges.
Bulk purchases	-	-	-	
Other materials	-	-	-	
Contracted services	640 956	1 615 000	(974 044)	Less spent on contracted services.
Grants and subsidies paid	27 015 073	27 167 575	(152 502)	EDA grant seized funding in the current financial year. Therefore less expenses.
Other expenditure	11 433 013	12 902 554	(1 469 541)	Less spent to keep inline with CKDM's current finance obligations.
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>51 954 439</b>	<b>54 785 251</b>	<b>(2 830 812)</b>	
<b>Operating Deficit for the year</b>	<b>(263 382)</b>	<b>(678 656)</b>	<b>415 274</b>	
Government Grants and Subsidies - Capital	-	-	-	
<b>Net Deficit for the year</b>	<b>(263 382)</b>	<b>(678 656)</b>	<b>415 274</b>	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

**ADJUSTMENTS TO APPROVED BUDGET**

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
<b>REVENUE BY SOURCE</b>				
Property rates	-	-	-	
Property rates - penalties & collection charges	-	-	-	
Service charges	-	-	-	
Rental of facilities and equipment	32 500	50 000	82 500	Not material
Interest earned - external investments	30 000	40 000	70 000	Not material
Interest earned - outstanding debtors	-	-	-	
Dividends received	-	-	-	
Fines	5 000	(5 000)	-	Not material
Licences and permits	11 500	-	11 500	Not material
Agency services	28 600 000	(26 700 000)	2 900 000	Total budgeted for is the entire amount to be spent by roads and not just the agency fees received.
Government Grants and Subsidies - Operating	22 867 495	27 100 000	49 987 495	OKDM did not take roads into account when budgeted for on this line item.
Other revenue	7 981 644	(6 888 544)	1 075 100	OKDM does not have any other revenue stream other than grant receipts.
Gains on disposal of PPE	-	-	-	
<b>Total Operating Revenue</b>	<b>59 508 139</b>	<b>(5 401 544)</b>	<b>54 106 595</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	9 493 608	(1 121 227)	8 372 381	No new CFO was appointed.
Remuneration of councillors	3 058 000	76 854	3 134 854	Increased due to increase in allowances and salaries for councillors
Debt Impairment	-	-	-	
Depreciation & asset impairment	383 663	256 506	650 169	Not correctly budgeted for, therefore the adjustment
Finance charges	942 718	-	942 718	
Bulk purchases	-	-	-	
Other materials	-	-	-	
Contracted services	500 000	1 115 000	1 615 000	Not correctly budgeted for, therefore the adjustment
Grants and subsidies paid	-	27 167 575	27 167 575	Not correctly budgeted for, therefore the adjustment
Other expenditure	44 985 862	(32 083 308)	12 902 554	Not correctly budgeted for, therefore the adjustment
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>59 373 851</b>	<b>-4 588 600</b>	<b>54 785 251</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>134 288</b>	<b>(812 944)</b>	<b>(678 656)</b>	
Government Grants and Subsidies - Capital	-	-	-	
<b>Net Surplus/(Deficit) for the year</b>	<b>134 288</b>	<b>(812 944)</b>	<b>(678 656)</b>	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	4 499 138	4 068 533	430 605	Not correctly budgeted for, therefore the adjustment
Government - operating	44 703 391	49 957 495	(5 264 104)	Not correctly budgeted for, therefore the adjustment
Government - capital	-	-	-	-
Interest	98 956	70 000	28 956	Not material
Dividends	-	-	-	-
<b>Payments</b>				
Suppliers and Employees	(20 132 606)	(53 194 392)	33 061 786	Employee benefits changes on submission of 2012/2013 financial statements
Finance charges	(34 010)	(50 000)	15 990	Not material.
Transfers and Grants	(27 015 073)	-	(27 015 073)	Not budgeted for in this format.
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>2 119 796</b>	<b>861 636</b>	<b>1 258 160</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	156 471	-	156 471	Not budgeted for in this format.
Decrease/(increase) in non-current receivables	-	-	-	-
Decrease/(increase) in non-current investments	-	-	-	Not budgeted for in this format.
<b>Payments</b>				
Capital assets	(68 442)	(96 000)	27 558	Not material
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>88 029</b>	<b>(96 000)</b>	<b>184 029</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	(56 452)	-	(56 452)	Not budgeted for in this format.
Increase/(decrease) in consumer deposits	-	-	-	-
<b>Payments</b>				
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(56 452)</b>	<b>-</b>	<b>(56 452)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>2 151 373</b>	<b>765 636</b>	<b>1 385 737</b>	
Cash and Cash Equivalents at the beginning of the year	(264 336)	(264 337)	1	Not material
Cash and Cash Equivalents at the end of the year	1 887 037	2 501 299	(614 262)	Not budgeted for in this format.

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	59 478 139	(55 409 606)	4 068 533	Not correctly budgeted for, therefore the adjustment
Government - operating	-	49 957 495	49 957 495	Not correctly budgeted for, therefore the adjustment
Government - capital	-	-	-	
Interest	30 000	40 000	70 000	Not material
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(58 037 470)	4 843 078	(53 194 392)	Employee benefits changes on submission of 2012/2013 financial statements
Finance charges	(818 691)	566 691	(50 000)	Not material.
Transfers and Grants	-	-	-	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>853 978</b>	<b>7 658</b>	<b>861 636</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(Increase) in non-current receivables	-	-	-	
Decrease/(Increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	-	(96 000)	(96 000)	Capital assets adjusted.
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-</b>	<b>(96 000)</b>	<b>(96 000)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
<b>Payments</b>				
Repayment of borrowing	-	-	-	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>853 978</b>	<b>(88 342)</b>	<b>765 636</b>	
Cash and Cash Equivalents at the beginning of the year	(2 000 000)	1 735 663	(264 337)	Not budgeted for in this format.
Cash and Cash Equivalents at the end of the year	853 978	1 647 321	2 501 299	Not budgeted for in this format.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as three separate additional financial statements, namely the Statement of comparison of budget and actual amounts for the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

No Consolidated Statement of Comparison of Budget and Actuals has been disclosed in terms of paragraph 32 of GRAP 24. Paragraph 32 of GRAP 24 states that separate budgets may be recompiled in order for consolidated disclosure purposes. As there are no separated budget for Central Karoo Development Agency, no recompilation in terms of paragraph 32 of GRAP 24 can be disclosed. Only the Statement of Comparison of Budget and Actuals are disclosed for the Municipality.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>GRAP 6 (Revised – Nov 2010)</b>	<b>Consolidated and Separate Financial Statements</b> The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an Municipality as a single entity.  No significant impact is expected as the Municipality already complies with most of the changes.	Unknown
<b>GRAP 7 (Revised – Mar 2012)</b>	<b>Investments in Associate</b> This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.  No significant impact is expected as the Municipality will not participate in such business transactions.	1 April 2013

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>GRAP 8 (Revised – Nov 2010)</b>	<b>Interest in Joint Ventures</b> The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.  No significant impact is expected as the Municipality is not involved in any joint ventures.	<b>Unknown</b>
<b>GRAP 18 (Original – Feb 2011)</b>	<b>Segment Reporting</b> The objective of this Standard is to establish principles for reporting financial information by segments.	<b>Unknown</b>
<b>GRAP 20 (Original – June 2011)</b>	<b>Related Party Disclosure</b> The objective of this Standard is to ensure that an Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.  The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	<b>Unknown</b>
<b>GRAP 105 (Original – Nov 2010)</b>	<b>Transfer of Functions Between Entities Under Common Control</b> The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.  No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.	<b>Unknown</b>
<b>GRAP 106 (Original – Nov 2010)</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.  No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.	<b>Unknown</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>GRAP 107 (Original – Nov 2010)</b>	<b>Mergers</b> The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.  No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.	<b>Unknown</b>
<b>IGRAP 11</b>	<b>Consolidation - Special Purpose Entities (SPE)</b> The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.  No significant impact is expected as the Municipality does not have any SPE's at this stage.	<b>Unknown</b>
<b>IGRAP 12</b>	<b>Jointly Controlled Entities non-monetary contributions</b> The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).  No significant impact is expected as the Municipality does not have any JCE's at this stage.	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. RESERVES**

### **1.9.1. *Capital Replacement Reserve (CRR)***

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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**1.10. LEASES**

**1.10.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10.2. Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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**1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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#### **1.15. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### ***1.15.1. Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

##### ***1.15.2. Long Service Awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

#### **1.15.3. Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.15.4. Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.15.5. Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### **1.15.6. Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.15.7. Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.16. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the Municipality directly to the nature of the expenditure to be funded. In such cases, the Municipality expenses those borrowing costs related to a qualifying asset directly to the Statement of Financial Performance.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

#### **1.17. PROPERTY, PLANT AND EQUIPMENT**

##### **1.17.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.17.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### **1.17.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

<b>Asset Class</b>	<b>Asset Sub-grouping</b>	<b>Useful Life (Yrs)</b>
Land	None	Indefinite
Buildings	None	11 – 30
Community Assets	Civic Buildings	30
Heritage	None	Indefinite
Other Assets	Machinery and Equipment	1 – 21
	Furniture and Office Equipment	3 – 100
	Motor Vehicles	12 - 21
	Computer Equipment	2 – 20

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

#### **1.17.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.17.5. Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

### **1.18. INTANGIBLE ASSETS**

#### **1.18.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the Municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

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Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

**1.18.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.18.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	5 - 11

**1.18.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.19. NON-CURRENT ASSETS HELD FOR SALE**

**1.19.1. Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**1.19.2. Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

**1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.20.1. *Cash-generating assets***

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.20.2. Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any

## CENTRAL KAROO DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.21. INVENTORIES**

##### *1.21.1. Initial Recognition*

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### *1.21.2. Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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The basis of allocating cost to inventory items is the weighted average method.

#### **1.22. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.22.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### **1.22.2. Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

###### **1.22.2.1. Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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realistic prospect of future recovery and all collateral has been realised or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.22.2.2. Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.22.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### **1.22.2.4. Non-Current Investments**

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### **1.22.3. De-recognition of Financial Instruments**

##### **1.22.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.22.3.2. *Financial Liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.22.4. *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.23. REVENUE**

#### **1.23.1. *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.23.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.24. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Municipality of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.25. UNAUTHORISED EXPENDITURE**

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

##### **1.29.1. Post-retirement medical obligations and Long service awards**

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### **1.29.2. Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### **1.29.3. Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

#### **1.29.4. Intangible Assets**

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

#### **1.29.5. Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.29.6. Revenue Recognition**

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.29.7. Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.29.8. Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

### **1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **1.31. CAPITAL COMMITMENTS**

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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**1.32. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Economic Entity		Municipality			
	2013 R	2012 R	2013 R	2012 R		
<b>2 LONG-TERM LIABILITIES</b>						
Capitalised Lease Liability - At amortised cost	157 307	213 759	157 307	213 759		
Current Portion transferred to Current Liabilities	157 307	213 759	157 307	213 759		
Capitalised Lease Liability - At amortised cost	52 298	82 324	52 298	82 324		
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>105 009</b>	<b>131 435</b>	<b>105 009</b>	<b>131 435</b>		
Refer below for maturity dates of long term liabilities:						
The obligations under finance leases are scheduled below:		Minimum lease payments		Minimum lease payments		
Amounts payable under finance leases:						
Payable within one year	76 459	90 463	76 459	90 463		
Payable within two to five years	123 912	200 372	123 912	200 372		
<b>Less:</b> Future finance obligations	<b>(43 065)</b>	<b>(77 076)</b>	<b>(43 065)</b>	<b>(77 076)</b>		
<b>Present value of lease obligations</b>	<b>157 307</b>	<b>213 759</b>	<b>157 307</b>	<b>213 759</b>		
Book value of other assets secured by leases	177 377	221 123	177 377	221 123		
The capitalised lease liability consist out of the following contracts:						
	Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
	Gestetner Gestethier	Copier Copier	20% 13%	0% 0%	5 Years 5 Years	30/11/2016 30/11/2015
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.						
<b>3 EMPLOYEE BENEFITS</b>						
Post Retirement Benefits - Refer to Note 3.1	6 225 208	5 809 817	6 225 208	5 809 817		
Roads Post Retirement Benefits - Refer to Note 3.1	5 938 778	5 733 897	5 938 778	5 733 897		
Long Service Awards Roads - Refer to Note	846 514	761 390	846 514	761 390		
Long Service Awards Other - Refer to Note 3.2	626 575	527 051	626 575	527 051		
Ex - Gratia Roads - Refer to Note 3.3	495 724	481 619	495 724	481 619		
<b>Total Non-current Employee Benefit Liabilities</b>	<b>14 132 799</b>	<b>13 313 774</b>	<b>14 132 799</b>	<b>13 313 774</b>		
<b><u>Post Retirement Benefits</u></b>						
Balance 1 July	12 242 834	10 561 509	12 242 834	10 561 509		
Transfer curtailment	-	(197 399)	-	(197 399)		
Contribution for the year	313 938	152 542	313 938	152 542		
Interest Cost	873 246	841 742	873 246	841 742		
Expenditure for the year	(699 120)	(682 728)	(699 120)	(682 728)		
Actuarial Loss/(Gain)	177 027	1 567 167	177 027	1 567 167		
<b>Total post retirement benefits 30 June</b>	<b>12 907 926</b>	<b>12 242 834</b>	<b>12 907 926</b>	<b>12 242 834</b>		
<b>Less:</b> Transfer of Current Portion - Note 3	<b>(743 940)</b>	<b>(699 120)</b>	<b>(743 940)</b>	<b>(699 120)</b>		
<b>Balance 30 June</b>	<b>12 163 986</b>	<b>11 543 714</b>	<b>12 163 986</b>	<b>11 543 714</b>		
<b><u>Long Service Awards</u></b>						
Balance 1 July	1 416 840	856 758	1 416 840	856 758		
Transfer curtailment	-	(225 312)	-	(225 312)		
Contribution for the year	114 154	99 334	114 154	99 334		
Interest Cost	90 961	60 689	90 961	60 689		
Expenditure for the year	(66 032)	(149 555)	(66 032)	(149 555)		
Actuarial Loss/(Gain)	111 716	774 925	111 716	774 925		
<b>Total long service 30 June</b>	<b>1 667 640</b>	<b>1 416 840</b>	<b>1 667 640</b>	<b>1 416 840</b>		
<b>Less:</b> Transfer of Current Portion - Note 3	<b>(194 551)</b>	<b>(128 399)</b>	<b>(194 551)</b>	<b>(128 399)</b>		
<b>Balance 30 June</b>	<b>1 473 089</b>	<b>1 288 441</b>	<b>1 473 089</b>	<b>1 288 441</b>		
<b><u>Ex - Gratia Benefits</u></b>						
Balance 1 July	481 619	419 399	481 619	419 399		
Contribution for the year	-	-	-	-		
Interest Cost	37 383	32 143	37 383	32 143		
Expenditure for the year	-	-	-	-		
Actuarial Loss/(Gain)	35 975	30 077	35 975	30 077		
<b>Total long service 30 June</b>	<b>554 977</b>	<b>481 619</b>	<b>554 977</b>	<b>481 619</b>		
<b>Less:</b> Transfer of Current Portion - Note 3	<b>(59 253)</b>	<b>-</b>	<b>(59 253)</b>	<b>-</b>		
<b>Balance 30 June</b>	<b>495 724</b>	<b>481 619</b>	<b>495 724</b>	<b>481 619</b>		

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	2013 R	2012 R
<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>				
Balance 1 July	14 141 293	11 837 666	14 141 293	11 837 666
Transfer cut-off	-	(422 711)	-	(422 711)
Contribution for the year	428 093	251 877	428 093	251 877
Interest cost	1 001 591	934 575	1 001 591	934 575
Expenditure for the year	(765 152)	(832 283)	(765 152)	(832 283)
Actuarial Loss/(Gain)	324 718	2 372 169	324 718	2 372 169
<b>Total employee benefits 30 June</b>	<b>15 130 543</b>	<b>14 141 293</b>	<b>15 130 543</b>	<b>14 141 293</b>
<b>Less:</b> Transfer of Current Portion - Note 3	<b>(997 744)</b>	<b>(827 519)</b>	<b>(997 744)</b>	<b>(827 519)</b>
<b>Balance 30 June</b>	<b>14 132 794</b>	<b>13 313 772</b>	<b>14 132 794</b>	<b>13 313 772</b>

3 EMPLOYEE BENEFITS (CONTINUE)

3.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	25	24	25	24
Continuation members (e.g. Retirees, widows, orphans)	29	29	29	29
<b>Total Members</b>	<b>54</b>	<b>53</b>	<b>54</b>	<b>53</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	3 713 071	1 755 763	3 713 071	1 755 763
Continuation members	9 194 853	9 459 132	9 194 853	9 459 132
<b>Total Liability</b>	<b>12 907 924</b>	<b>11 214 895</b>	<b>12 907 924</b>	<b>11 214 895</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
<b>Total Liability</b>	<b>10 561 584</b>	<b>8 153 000</b>	<b>7 601 000</b>

Experience adjustments were calculated as follows:	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Liabilities: (Gain) / loss	332,000	1 464,000	332,000	1 464,000
Assets: Gain / (loss)	-	-	-	-

The Economic Entity performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25.

The Economic Entity makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Samwumed; and  
Keyhealth - Discovery.

Key actuarial assumptions used:	2013 %	2012 %	2013 %	2012 %
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i) Rate of interest

Discount rate	8,18%	7,14%	8,18%	7,14%
Health Care Cost Inflation Rate	7,39%	6,79%	7,39%	6,79%
Net Effective Discount Rate	0,73%	0,33%	0,73%	0,33%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	12 163 986	11 543 714	12 163 986	11 543 714
<b>Total Liability</b>	<b>12 163 986</b>	<b>11 543 714</b>	<b>12 163 986</b>	<b>11 543 714</b>

The fund is wholly unfunded.

The Economic Entity has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	2013 R	2012 R
<b>Reconciliation of present value of fund obligation:</b>				
Present value of fund obligation at the beginning of the year	12 242 834	10 561 509	12 242 834	10 561 509
Total expenses	488 065	114 158	-	114 158
Transfer curtailment	-	(197 399)	-	(197 399)
Current service cost	313 938	152 542	313 938	152 542
Interest Cost	873 246	841 742	873 246	841 742
Benefits Paid	(699 120)	(682 728)	(699 120)	(682 728)
Actuarial (gains)/losses	177 027	1 567 167	177 027	1 567 167
Present value of fund obligation at the end of the year	12 907 926	12 242 834	12 907 926	12 242 834
<u>Less:</u> Transfer of Current Portion - Note 3	<u>(743 940)</u>	<u>(699 120)</u>	<u>(743 940)</u>	<u>(699 120)</u>
<b>Balance 30 June</b>	<b>12 163 986</b>	<b>11 543 714</b>	<b>12 163 986</b>	<b>11 543 714</b>
Check note		Check note	Check note	Check note

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions					
Health care inflation	1%	3 713 000	9 195 000	12 908 000	
Health care inflation	-1%	4 545 000	1 017 600	5 562 600	14%
Post-retirement mortality	-1 year	3 058 000	8 355 000	11 413 000	12%
Average retirement age	-1 year	3 842 000	9 592 000	13 434 000	4%
Withdrawal Rate	-50%	4 041 000	9 195 000	13 236 000	3%
		3 990 000	9 195 000	13 185 000	2%
Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption					
Health care inflation	1%	153 200	775 100	928 300	
Health care inflation	-1%	188 500	877 900	1 064 400	15%
Post-retirement mortality	-1 year	126 800	689 400	816 200	-12%
Average retirement age	-1 year	158 400	808 800	967 200	4%
Withdrawal Rate	-50%	167 900	785 500	953 400	3%
		164 400	786 800	951 200	2%

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

Roads	95	98	95	98
Other	22	21	22	21

As at year end, the following number of employees were eligible for Long Service Bonuses.

	117	119	117	119
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Key actuarial assumptions used:

i) Rate of interest

Discount rate	7,21%	6,34%	7,21%	6,34%
General Salary Inflation (long-term)	6,78%	5,97%	6,78%	5,97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0,41%	0,35%	0,41%	0,35%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

	2013 R	2012 R	2013 R	2012 R
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 473 089	1 288 441	1 473 089	1 288 441
Net liability	<u>1 473 089</u>	<u>1 288 441</u>	<u>1 473 089</u>	<u>1 288 441</u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
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**Total Liability**

	<u>856 956</u>	-	-
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Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	(70 261)	-	-
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The Economic Entity performed their first actuarial valuation on 30 June 2011. Thus there are no experience adjustment figures available on or before 30 June 2011 to fully comply with GRAP 25

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	2013 R	2012 R
<b>Reconciliation of present value of fund obligation:</b>				
Present value of fund obligation at the beginning of the year	1 416 840	856 758	1 416 840	856 758
Total expenses	139 084	(214 843)	139 084	(214 843)
Transfer curtailment	-	(225 312)	-	(225 312)
Current service cost	114 154	99 334	114 154	99 334
Interest Cost	90 961	60 689	90 961	60 689
Benefits Paid	(66 032)	(149 555)	(66 032)	(149 555)
Actuarial (gains)/losses	111 716	774 925	111 716	774 925
Present value of fund obligation at the end of the year	1 667 640	1 416 840	1 667 640	1 416 840
<b>Less:</b> Transfer of Current Portion - Note 3	<b>(194 551)</b>	<b>(128 399)</b>	<b>(194 551)</b>	<b>(128 399)</b>
<b>Balance 30 June</b>	<b>1 473 089</b>	<b>1 288 441</b>	<b>1 473 089</b>	<b>1 288 441</b>

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	
		(R)	% change
Central assumptions		1,6680	
General salary inflation	+1%	1,7740	6%
General salary inflation	-1%	1,5710	-6%
Average retirement age	-2 Years	1,4340	-14%
Average retirement age	+2 Years	1,8220	9%
Withdrawal rates	-50%	1,9040	14%

3.3 Ex - Gratia Benefits

The Ex - Gratia plans are defined benefit plans.

Roads	19	19	19	19
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As at year end, the following number of employees were eligible for Ex - Gratia benefits.

19	19	19	19
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Key actuarial assumptions used:

2013 %	2012 %	2013 %	2012 %
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i) Rate of interest

Discount rate	7,99%	7,99%
Benefit increase rate (CPI inflation)	5,72%	5,72%
Net Effective Discount Rate	2,14%	2,14%

The discount rate used is a composite of all government bonds and is calculated using a technique is

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	2013 R	2012 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>				
Present value of fund obligations	495 724	481 619	495 724	481 619
<b>Net liability</b>	<b>495 724</b>	<b>481 619</b>	<b>495 724</b>	<b>481 619</b>

The liability in respect of periods commencing prior to the comparative year has been

	2011 R	2010 R	2009 R
<b>Total Liability</b>			

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	-	-	-
Assets: Gain / (loss)	-	-	-

The Economic Entity performed their first actuarial valuation on 30 June 2011. Thus there are no experience adjustment figures available on or before 30 June 2011 to fully comply with GRAP 25.

	2013 R	2012 R	2013 R	2012 R
<b>Reconciliation of present value of fund obligation:</b>				
Present value of fund obligation at the beginning of the year	481 619	419 399	481 619	419 399
Total expenses	37 383	32 143	37 383	32 143
Interest Cost	37 383	32 143	37 383	32 143
Actuarial (gains)/losses	35 975	30 077	35 975	30 077
Present value of fund obligation at the end of the year	554 977	481 619	554 977	481 619
<b>Less:</b> Transfer of Current Portion - Note	<b>(59 253)</b>	<b>-</b>	<b>(59 253)</b>	<b>-</b>
<b>Balance 30 June</b>	<b>495 724</b>	<b>481 619</b>	<b>495 724</b>	<b>481 619</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change (R)	Liability (R)	% change
Central assumptions		554 976	
Benefit Increase rate	+1%	590 283	6%
Average retirement age	-1%	522 639	-6%
Withdrawal Rate	-1 year	569 252	3%
	-50%	569 773	3%

**3.4 Retirement funds**

The Economic Entity requested detailed employee and pensioner information as well as information on the Economic Entity's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Economic Entity is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Economic Entity's process to value the defined benefit liabilities, the Economic Entity requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Economic Entity. Without detailed pensioner data the Economic Entity was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2013 R	2012 R	2013 R	2012 R
<b>CAPE RETIREMENT FUND</b>				
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in an sound financial position with a funding level of 99.90% (30 June 2011 - 98.10%).	2 691 831	2 681 593	2 691 831	2 681 593

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 108.00% (30 June 2011 - 103.3%).

	2013 R	2012 R	2013 R	2012 R
<b>Contributions paid recognised in the Statement of Financial Performance</b>				
Contributions paid recognised in the Statement of Financial Performance	121 393	111 605	121 393	111 605

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SAMWU National Provident Fund	801 068	801 128	801 068	801 128
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CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 R	2012 R	2013 R	2012 R
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**3 CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 3	743 940	699 120	743 940	699 120
Current Portion of Long-Service Provisions - Note 3	194 551	128 399	194 551	128 399
Current Portion of Ex- Gratia Benefits - Note 3	59 253	-	59 253	-
Provision for Staff Leave	1 572 216	496 393	1 572 216	496 393
Provision for Performance Bonuses	105 129	267 424	105 129	267 424
Staff Bonuses accrued	603 496	504 550	603 496	504 550
<b>Total Current Employee Benefits</b>	<b>3 278 585</b>	<b>2 095 886</b>	<b>3 278 585</b>	<b>2 095 886</b>

The movement in current employee benefits are reconciled as follows:

*Provision for Staff Leave*

Balance at beginning of year	496 393	573 733	496 393	573 733
Contribution to current portion	1 249 502	136 050	1 249 502	136 050
Expenditure incurred	(173 679)	(213 390)	(173 679)	(213 390)
<b>Balance at end of year</b>	<b>1 572 216</b>	<b>496 393</b>	<b>1 572 216</b>	<b>496 393</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

*Provision for Performance Bonuses*

Balance at beginning of year	267 424	306 007	267 424	306 007
Contribution to current portion	162 295	160 127	162 295	160 127
Expenditure incurred	(324 590)	(198 710)	(324 590)	(198 710)
<b>Balance at end of year</b>	<b>105 129</b>	<b>267 424</b>	<b>105 129</b>	<b>267 424</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

*Staff Bonuses accrued*

Balance at beginning of year	504 550	459 367	504 550	459 367
Contribution to current portion	1 484 714	963 916	1 484 714	963 916
Expenditure incurred	(1 385 768)	(918 733)	(1 385 768)	(918 733)
<b>Balance at end of year</b>	<b>603 496</b>	<b>504 550</b>	<b>603 496</b>	<b>504 550</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**4 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	4 669 855	1 224 734	4 669 855	1 224 734
Sundry Creditors	332 218	995 348	332 218	995 348
Payments received in advance	-	163 658	-	163 658
Retention	-	42 797	-	42 797
<b>Total Trade Payables</b>	<b>5 002 073</b>	<b>2 426 537</b>	<b>5 002 073</b>	<b>2 426 537</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

**5 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

<b>Unspent Grants</b>	3 030 138	4 727 218	3 030 138	4 727 218
National Government Grants	855 962	817 196	855 962	817 196
Provincial Government Grants	700 000	2 435 846	700 000	2 435 846
Other Grant Providers	1 474 176	1 474 176	1 474 176	1 474 176
<b>Less: Unpaid Grants</b>	<b>1 462 663</b>	<b>508 095</b>	<b>1 462 663</b>	<b>508 095</b>
National Government Grants	73 526	327 199	73 526	327 199
Provincial Government Grants	1 380 569	176 808	1 380 569	176 808
Other Grant Providers	8 568	4 088	8 568	4 088
<b>Total Conditional Grants and Receipts</b>	<b>1 567 475</b>	<b>4 219 123</b>	<b>1 567 475</b>	<b>4 219 123</b>

See appendix "D" for reconciliation of grants from other spheres of government. The Economic Entity complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R	2013 R	2012 R
<b>6</b>	<b>TAXES</b>				
<b>6,1</b>	<b>VAT PAYABLE</b>				
VAT Payable		-	-	-	-
Total Vat payable		<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>6,2</b>	<b>VAT RECEIVABLE</b>				
VAT input in suspense		154 850	153 685	154 850	153 685
Total VAT receivable		<u><u>154 850</u></u>	<u><u>153 685</u></u>	<u><u>154 850</u></u>	<u><u>153 685</u></u>
<b>6,3</b>	<b>NET VAT RECEIVABLE/(PAYABLE)</b>			154 850	153 685
VAT is receivable/payable on the cash basis.				<u><u>154 850</u></u>	<u><u>153 685</u></u>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Economic Entity

7 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value	
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment R	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>2 841 060</b>	<b>-</b>	<b>-</b>	<b>2 841 060</b>	<b>1 130 018</b>	<b>87 446</b>	<b>-</b>	<b>-</b>	<b>1 217 463</b>	<b>1 623 597</b>
Land	229 000	-	-	229 000	-	-	-	-	-	229 000
Buildings	2 612 060	-	-	2 612 060	1 130 018	87 446	-	-	1 217 463	1 394 597
<b>Community Assets</b>	<b>1 031 424</b>	<b>-</b>	<b>-</b>	<b>1 031 424</b>	<b>109 788</b>	<b>34 357</b>	<b>-</b>	<b>-</b>	<b>144 146</b>	<b>887 278</b>
Buildings	1 031 424	-	-	1 031 424	109 788	34 357	-	-	144 146	887 278
<b>Other Assets</b>	<b>4 930 744</b>	<b>68 442</b>	<b>(844 273)</b>	<b>4 154 912</b>	<b>2 728 008</b>	<b>449 009</b>	<b>18 782</b>	<b>(601 055)</b>	<b>2 594 745</b>	<b>1 560 167</b>
Machinery and Equipment	711 198	24 587	(84 562)	651 221	395 106	91 717	2 264	(73 762)	415 326	235 896
Furniture and Equipment	1 318 349	29 806	(32 690)	1 315 465	624 372	149 883	4 243	(28 522)	749 977	565 489
Office Equipment - Computers	1 109 030	14 049	(246 204)	876 875	683 107	126 948	12 274	(212 302)	610 026	266 849
Motor vehicles	1 792 168	-	(480 818)	1 311 350	1 025 423	80 463	(286 470)	819 416	491 934	
	<b>8 803 228</b>	<b>68 442</b>	<b>(844 273)</b>	<b>8 027 396</b>	<b>3 967 814</b>	<b>570 812</b>	<b>18 782</b>	<b>(601 055)</b>	<b>3 956 354</b>	<b>4 071 042</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**30 JUNE 2012**

**Reconciliation of Carrying Value**

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value	
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment	Disposals R	Closing Balance R	R
<b>Land and Buildings</b>	<b>2 709 925</b>	<b>131 135</b>	-	<b>2 841 060</b>	<b>1 043 589</b>	<b>86 429</b>	-	-	<b>1 130 018</b>	<b>1 711 042</b>
Land	229 000	-	-	229 000	-	-	-	-	-	229 000
Buildings	2 480 925	131 135	-	2 612 060	1 043 589	86 429	-	-	1 130 018	1 482 042
Balance previously reported					1 054 729	94 085				
Correction of error					(11 140)	(7 636)				
<b>Community Assets</b>	<b>1 031 424</b>	-	-	<b>1 031 424</b>	<b>75 313</b>	<b>34 476</b>	-	-	<b>109 788</b>	<b>921 636</b>
Buildings	1 031 424	-	-	1 031 424	75 313	34 476	-	-	109 788	921 636
Balance previously reported					77 450	34 452				
Correction of error					(2 137)	24				
<b>Other Assets</b>	<b>4 848 234</b>	<b>276 715</b>	<b>(194 205)</b>	<b>4 930 744</b>	<b>2 450 020</b>	<b>452 411</b>	-	<b>(174 423)</b>	<b>2 728 008</b>	<b>2 202 736</b>
Machinery and Equipment	767 597	19 951	(76 352)	711 196	371 159	91 265	-	(67 318)	395 106	316 090
Balance previously reported	762 160				396 259	115 278				
Correction of error	5 417				(25 100)	(24 013)				
Furniture and Equipment	1 162 753	173 569	(17 973)	1 318 349	496 615	143 478	-	(15 721)	624 372	693 978
Balance previously reported	1 149 080				616 546	173 374				
Correction of error	13 673				(119 931)	(29 896)				
Office Equipment - Computers	1 125 715	83 195	(99 880)	1 109 030	649 536	124 955	-	(91 384)	683 107	425 923
Balance previously reported	1 109 675				712 418	198 339				
Correction of error	16 040				(62 882)	(73 384)				
Motor vehicles	1 792 168	-	-	1 792 168	932 710	92 713	-	-	1 025 423	766 745
Balance previously reported					1 134 614	197 873				
Correction of error					(201 904)	(105 160)				
	<b>8 589 583</b>	<b>407 850</b>	<b>(194 205)</b>	<b>8 803 228</b>	<b>3 568 922</b>	<b>573 315</b>	-	<b>(174 423)</b>	<b>3 987 814</b>	<b>4 835 414</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Municipality

30 JUNE 2013

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation and Impairment Losses				Carrying Value
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>2 841 060</b>	<b>-</b>	<b>-</b>	<b>2 841 060</b>	<b>1 130 018</b>	<b>87 446</b>	<b>-</b>	<b>-</b>	<b>1 217 463</b>	<b>1 623 597</b>
Land	229 000	-	-	229 000	-	-	-	-	-	229 000
Buildings	2 612 060	-	-	2 612 060	1 130 018	87 446	-	-	1 217 463	1 394 597
<b>Community Assets</b>	<b>1 031 424</b>	<b>-</b>	<b>-</b>	<b>1 031 424</b>	<b>109 788</b>	<b>34 357</b>	<b>-</b>	<b>-</b>	<b>144 146</b>	<b>887 278</b>
Buildings	1 031 424	-	-	1 031 424	109 788	34 357	-	-	144 146	887 278
<b>Other Assets</b>	<b>4 930 744</b>	<b>68 442</b>	<b>(844 273)</b>	<b>4 154 912</b>	<b>2 728 008</b>	<b>449 009</b>	<b>18 782</b>	<b>(601 055)</b>	<b>2 594 745</b>	<b>1 560 167</b>
Machinery and Equipment	711 196	24 587	(84 562)	651 221	395 106	91 717	2 264	(73 762)	415 326	235 896
Furniture and Equipment	1 318 349	29 806	(32 690)	1 315 465	624 372	149 883	4 243	(28 522)	749 977	565 489
Office Equipment - Computers	1 109 030	14 049	(246 204)	876 875	683 107	126 946	12 274	(212 302)	610 026	266 849
Motor vehicles	1 792 168	-	(480 818)	1 311 350	1 025 423	80 463	(286 470)	819 418	491 934	
	8 803 228	68 442	(844 273)	8 027 398	3 987 814	570 812	18 782	(601 055)	3 956 354	4 071 042

**CENTRAL KAROO DISTRICT MUNICIPALITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**30 JUNE 2012**

**Reconciliation of Carrying Value**

	Cost				Accumulated Depreciation and Impairment Losses			Carrying Value		
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>2 709 925</b>	<b>131 135</b>	-	<b>2 841 060</b>	<b>1 043 589</b>	<b>86 429</b>	-	-	<b>1 130 018</b>	<b>1 711 042</b>
Land	229 000	-	-	229 000	-	-	-	-	-	229 000
Buildings	2 480 925	131 135	-	2 612 060	1 043 589	86 429	-	-	1 130 018	1 482 042
Balance previously reported					1 054 729	94 065				
Correction of error					(11 140)	(7 636)				
<b>Community Assets</b>	<b>1 031 424</b>	-	-	<b>1 031 424</b>	<b>75 313</b>	<b>34 476</b>	-	-	<b>109 788</b>	<b>921 636</b>
Buildings	1 031 424	-	-	1 031 424	75 313	34 476	-	-	109 788	921 636
Balance previously reported					77 450	34 452				
Correction of error					(2 137)	24				
<b>Other Assets</b>	<b>4 848 234</b>	<b>276 715</b>	<b>(194 205)</b>	<b>4 930 744</b>	<b>2 450 020</b>	<b>452 411</b>	-	<b>(174 423)</b>	<b>2 728 008</b>	<b>2 202 736</b>
Machinery and Equipment	767 597	19 951	(76 352)	711 196	371 159	91 265		(67 318)	395 106	316 090
Balance previously reported	762 180				398 259	115 278				
Correction of error	5 417				(25 100)	(24 013)				
Furniture and Equipment	1 162 753	173 569	(17 973)	1 318 349	496 615	143 476		(15 721)	624 372	693 978
Balance previously reported	1 149 080				616 546	173 374				
Correction of error	13 673				(119 931)	(29 896)				
Office Equipment - Computers	1 125 715	83 195	(99 680)	1 109 030	649 536	124 955		(91 384)	683 107	425 923
Balance previously reported	1 109 675				712 418	198 339				
Correction of error	16 040				(62 882)	(73 384)				
Motor vehicles	1 792 168	-	-	1 792 168	932 710	92 713	-	-	1 025 423	766 745
Balance previously reported					1 134 814	197 873				
Correction of error					(201 904)	(105 160)				
	<b>8 589 583</b>	<b>407 850</b>	<b>(194 205)</b>	<b>8 803 228</b>	<b>3 568 922</b>	<b>573 315</b>	-	<b>(174 423)</b>	<b>3 987 814</b>	<b>4 835 414</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R	2013 R	2012 R
<b>8 Assets pledged as security:</b>				
No assets pledged as security				
<b>Impairment of property plant and equipment for the year</b>				
Impairment charges on Property, plant and equipment recognised in statement of financial performance				
Other	18 782	-	18 782	-
	<u>18 782</u>	<u>-</u>	<u>18 782</u>	<u>-</u>
<b>Cumulative impairment charges included in major balances</b>				
Other	18 782	-	18 782	-
	<u>18 782</u>	<u>-</u>	<u>18 782</u>	<u>-</u>
<b>9 INTANGIBLE ASSETS</b>				
Computer Software				
Net Carrying amount at 1 July	122 990	159 321	122 990	159 321
Cost	252 043	246 144	252 043	246 144
Accumulated Amortisation	(129 053)	(86 823)	(129 053)	(86 823)
Balance Previously reported	-	(126 291)	-	(126 291)
Correction of Error - Note 29,3	39 468	39 468	39 468	39 468
Additions	-	5 899	-	5 899
Amortisation	(42 581)	(42 230)	(42 581)	(42 230)
Balance Previously reported	-	(79 195)	-	(79 195)
Correction of Error - Note 29,3	36 965	36 965	36 965	36 965
Net Carrying amount at 30 June	80 429	122 990	80 429	122 990
Cost	252 043	252 043	252 043	252 043
Accumulated Amortisation	(171 614)	(129 053)	(171 614)	(129 053)
The following material intangible assets are included in the carrying value above				
<u>Description</u>	<u>Remaining Amortisation Period</u>	Carrying Value 2013 R	Carrying Value 2012 R	Carrying Value 2013 R
Microsoft Office and other software	5	80 429	122 990	80 429
No intangible asset were assessed having an indefinite useful life				
There are no internally generated intangible assets at reporting date.				
There are no intangible assets whose title is restricted.				
There are no intangible assets pledged as security for liabilities				
There are no contractual commitments for the acquisition of intangible assets.				
<b>10 NON-CURRENT INVESTMENTS</b>				
Unlisted investments comprise of the following. Valuations of investments supplied by council				
Central Karoo Development Agency SOC Ltd				
Cost		-	-	100
Contribution		-	-	237 534
Impairment		-	-	(237 634)
		<u>-</u>	<u>-</u>	<u>-</u>
<b>11 LONG-TERM RECEIVABLES</b>				
Department of Transport: Roads - Post Employment Health Care Benefits (Note 3.1)	6 300 652	6 070 697	6 300 652	6 070 697
Department of Transport: Roads - Long Service Awards (Note 3.2)	966 656	839 092	966 656	839 092
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 3.3)	554 976	481 618	554 976	481 618
	<u>7 822 284</u>	<u>7 391 407</u>	<u>7 822 284</u>	<u>7 391 407</u>
<u>Less:</u> Current portion transferred to current receivables	(541 268)	(414 502)	(541 268)	(414 502)
Department of Transport: Roads - Post Employment Health Care Benefits (Note 3.1)	(361 873)	(336 800)	(361 873)	(336 800)
Department of Transport: Roads - Long Service Awards (Note 3.2)	(120 142)	(77 702)	(120 142)	(77 702)
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 3.3)	(59 253)	-	(59 253)	-
	<u>7 281 016</u>	<u>6 976 905</u>	<u>7 281 016</u>	<u>6 976 905</u>
<u>Less:</u> Provision for impairment	-	-	-	-
<b>Total Long Term Receivables</b>	<b><u>7 281 016</u></b>	<b><u>6 976 905</u></b>	<b><u>7 281 016</u></b>	<b><u>6 976 905</u></b>

**DEPARTMENT OF TRANSPORT: ROADS**

In terms of the agreement between the Western Cape Provincial Government and past experience, Provincial Government funds will be made available to maintain the approved organogram of the Roads department, including all employee post retirement benefits. The future claim for the provision for retirement benefits has therefore been raised as a long term debtor.

The carrying amount of these assets approximates their fair value.

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R	2013 R	2012 R
<b>12 INVENTORY</b>					
Maintenance Materials - At cost		836 435	1 103 910	836 435	1 103 910
Consumable Stores - Stationery and materials - At cost		42 821	94 178	42 821	94 178
<b>Total Inventory</b>		<b>879 256</b>	<b>1 198 088</b>	<b>879 256</b>	<b>1 198 088</b>
Inventory recognised as an expense during the year		2 452 911	4 692 149	2 452 911	4 692 149
<b>13 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>					
Other Debtors		368 143	631 484	368 143	631 484
<b>Total Receivables from Non-Exchange Transactions</b>		<b>368 143</b>	<b>631 484</b>	<b>368 143</b>	<b>631 484</b>
Less: Allowance for Doubtful Debts		(281 529)	-	(281 529)	-
<b>Total Net Receivables from Non-Exchange Transactions</b>		<b>86 614</b>	<b>631 484</b>	<b>86 614</b>	<b>631 484</b>
Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.					
<b>14 OPERATING LEASE ARRANGEMENTS</b>					
Operating leases currently under the control of the Central Karoo District Municipality has no end date to the contracts. There will therefore be no calculation for the smoothing of these leases.					
<b>15 CASH AND CASH EQUIVALENTS</b>					
<b>Assets</b>					
Call Investments Deposits		1 356 004	1 356 004	1 356 004	1 356 004
Bank Accounts		529 733	-	529 733	-
Cash Floats		1 300	1 300	1 300	1 300
<b>Total Cash and Cash Equivalents - Assets</b>		<b>1 887 037</b>	<b>1 357 304</b>	<b>1 887 037</b>	<b>1 357 304</b>
<b>Liabilities</b>					
Bank Accounts		-	1 621 640	-	1 621 640
<b>Total Cash and Cash Equivalents - Liabilities</b>		<b>-</b>	<b>1 621 640</b>	<b>-</b>	<b>1 621 640</b>
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.					
Call Investments Deposits to an amount of R1356004 are held to fund the Unspent Conditional Grants (2012: R1356004).					
Bank overdraft facility of R2 000 000 exists at FNB.					
The Economic Entity has the following bank accounts:					
<b>Current Accounts</b>					
ABSA Bank Account Number 1540 0000 14 (Cheque Account)					
First National Bank Account Number 6206 2151 429 (Cheque Account)					
Combined Accounts		529 733	(1 621 640)	529 733	(1 621 640)
		<b>529 733</b>	<b>(1 621 640)</b>	<b>529 733</b>	<b>(1 621 640)</b>
<b>ABSA Bank Account Number 1540 0000 14 (Cheque Account)</b>					
Bank statement balance at beginning of year		384 089	957 715	384 089	957 715
Bank statement balance at end of year		32 982	384 089	32 982	384 089
<b>First National Bank Account Number 6206 2151 429 (Cheque Account)</b>					
Bank statement balance at beginning of year		(888 367)	2 652 921	(888 367)	2 652 921
Bank statement balance at end of year		344 939	(888 367)	344 939	(888 367)
<b>Combined Accounts</b>					
Cash book balance at beginning of year		(1 621 640)	1 306 333	(1 621 640)	1 306 333
Cash book balance at end of year		529 733	(1 621 640)	529 733	(1 621 640)
Both bank accounts are posted to a single cash book in the general ledger					
<b>Call Investments Deposits</b>					
Call investment deposits consist out of the following accounts:					
First Rand Bank Limited - 6223 6004 355		1 356 004	1 311 839	1 356 004	1 311 839
Rand Merchant Bank - X021903715/DC07A00030		-	44 165	-	44 165
		<b>1 356 004</b>	<b>1 356 004</b>	<b>1 356 004</b>	<b>1 356 004</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R	2013 R	2012 R
<b>16 GOVERNMENT GRANTS AND SUBSIDIES</b>					
<b>Unconditional Grants</b>		<b>12 981 000</b>	<b>11 535 000</b>	<b>12 981 000</b>	<b>11 535 000</b>
Equitable Share		12 981 000	11 535 000	12 981 000	11 535 000
<b>Conditional Grants</b>		<b>34 374 039</b>	<b>35 596 654</b>	<b>34 374 039</b>	<b>35 596 654</b>
Grants and donations		34 374 039	35 596 654	34 374 039	35 596 654
Subsidies		-	-	-	-
<b>Total Government Grants and Subsidies</b>		<b>47 355 039</b>	<b>47 131 654</b>	<b>47 355 039</b>	<b>47 131 654</b>
Government Grants and Subsidies - Capital		-	-	-	-
Government Grants and Subsidies - Operating		47 355 039	47 131 654	47 355 039	47 131 654
		<b>47 355 039</b>	<b>47 131 654</b>	<b>47 355 039</b>	<b>47 131 654</b>
Revenue recognised per vote as required by Section 123 (c) of the MFMA					
Equitable share		12 981 000	11 535 000	12 981 000	11 535 000
Executive and Council		-	91 137	-	91 137
Budget and Treasury		1 253 654	1 385 000	1 253 654	1 385 000
Corporate Services		4 972 873	4 446 484	4 972 873	4 446 484
Planning and Development		1 003 262	2 078 613	1 003 262	2 078 613
Health		7 133	802 475	7 133	802 475
Public Safety		-	92 073	-	92 073
Road Transport		27 137 117	26 700 870	27 137 117	26 700 870
		<b>47 355 039</b>	<b>47 131 654</b>	<b>47 355 039</b>	<b>47 131 654</b>
The Economic Entity does not expect any significant changes to the level of grants.					
<b>16,1 Equitable share</b>					
Opening balance					
Grants received		12 981 000	11 535 000	12 981 000	11 535 000
Conditions met - Operating		(12 981 000)	(11 535 000)	(12 981 000)	(11 535 000)
Conditions met		-	-	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the Economic Entity by the National Treasury.					
<b>16,2 Health Subsidy</b>					
Opening balance					
Grants received		65 073	136 582	65 073	136 582
Conditions met - Operating		1 544 854	1 400 384	1 544 854	1 400 384
Conditions met		(1 518 889)	(1 602 039)	(1 518 889)	(1 602 039)
Conditions still to be met		<b>(39 108)</b>	<b>(65 073)</b>	<b>(39 108)</b>	<b>(65 073)</b>
Health subsidies was used fund primary health care services in the municipal area.					
<b>16,3 Local Government Financial Management Grant (FMG)</b>					
Opening balance					
Grants received		1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - Operating		(1 253 654)	(1 250 000)	(1 253 654)	(1 250 000)
Conditions still to be met		<b>(3 654)</b>	<b>-</b>	<b>(3 654)</b>	<b>-</b>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).					
<b>16,4 Municipal Systems Improvement Grant</b>					
Opening balance					
Grants received		1 000 000	790 000	1 000 000	790 000
Conditions met - Operating		(1 003 262)	(790 000)	(1 003 262)	(790 000)
Conditions still to be met		<b>(3 262)</b>	<b>-</b>	<b>(3 262)</b>	<b>-</b>
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.					
<b>16,5 Roads</b>					
Opening balance					
Grants received		2 435 846	2 704 241	2 435 846	2 704 241
Conditions met - Operating		23 385 629	26 432 475	23 385 629	26 432 475
Grant expenditure to be recovered		(27 137 117)	(26 700 870)	(27 137 117)	(26 700 870)
The grant was used to upgrade and maintain provincial roads		<b>(1 315 641)</b>	<b>2 435 846</b>	<b>(1 315 641)</b>	<b>2 435 846</b>
<b>16,6 Housing Grants</b>					
Opening balance		-	-	-	-
Grants received		-	787 493	-	787 493
Conditions met - Operating		-	(787 493)	-	(787 493)
Grant expenditure to be recovered		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing grants was utilised for the development of erven and the erection of top structures.					

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R	2013 R	2012 R
<b>16.7 Working for Water</b>					
Opening balance		817 196	(445 927)	817 196	(445 927)
Grants received		2 204 538	3 366 180	2 204 538	3 366 180
Conditions met - Operating		(2 256 538)	(2 103 057)	(2 256 538)	(2 103 057)
Conditions still to be met:		<u>765 196</u>	<u>817 196</u>	<u>765 196</u>	<u>817 196</u>
Grant utilised for the eradication of alien vegetation.					
<b>16.8 Other Grants</b>					
Opening balance		1 031 154	636 089	1 031 154	636 089
Grants received		2 337 370	2 758 280	2 337 370	2 758 280
Conditions met - Operating		(1 204 580)	(2 363 195)	(1 204 580)	(2 363 195)
Conditions still to be met:		<u>2 163 944</u>	<u>1 031 154</u>	<u>2 163 944</u>	<u>1 031 154</u>
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)					
<b>16.9 Total Grants</b>					
Opening balance		4 219 123	3 030 985	4 219 123	3 030 985
Grants received		44 703 391	48 319 792	44 703 391	48 319 792
Conditions met - Operating		(47 355 039)	(47 131 654)	(47 355 039)	(47 131 654)
Conditions still to be met/(Grant expenditure to be recovered)		<u>1 567 475</u>	<u>4 219 123</u>	<u>1 567 475</u>	<u>4 219 123</u>
<u>Disclosed as follows:</u>					
Unspent Conditional Government Grants and Receipts		3 030 138	4 727 218	3 030 138	4 727 218
Unpaid Conditional Government Grants and Receipts		(1 462 663)	(508 095)	(1 462 663)	(508 095)
		<u>1 567 475</u>	<u>4 219 123</u>	<u>1 567 475</u>	<u>4 219 123</u>
<b>17 PUBLIC CONTRIBUTIONS AND DONATIONS</b>					
RED DOOR		-	111 679	-	111 679
TOURISM		-	29 995	-	29 995
		<u>-</u>	<u>141 674</u>	<u>-</u>	<u>141 674</u>
<b>18 AGENCY SERVICES</b>					
Department of Transport: Western Cape		2 892 849	2 694 977	2 892 849	2 694 977
The Economic Entity has service level agreements with Department Transport Western Cape		<u>2 892 849</u>	<u>2 694 977</u>	<u>2 892 849</u>	<u>2 694 977</u>
<b>19 OTHER INCOME</b>					
Sundry Income		-	-	-	-
Contributions Prince Albert Municipality		502 289	491 956	502 289	491 956
Sundry Income		195 932	10 145	195 932	10 145
VAT Projects		-	169 381	-	169 381
Photostat and Faxes		2 322	1 763	2 322	1 763
Commission		16 801	15 807	16 801	15 807
Samples: Milk and Water		212 701	52 860	212 701	52 860
Milk Sales		290 530	215 971	290 530	215 971
Insurance Claims		8 459	83 597	8 459	83 597
Total Other Income		<u>1 229 033</u>	<u>1 041 479</u>	<u>1 229 033</u>	<u>1 041 479</u>
<b>20 EMPLOYEE RELATED COSTS</b>					
Employee Related Costs - Salaries and Wages		5 334 209	6 349 495	5 189 597	6 349 495
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids		601 153	1 665 981	596 617	1 665 981
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids		-	(6 839 113)	-	(6 839 113)
Travel, Motor Car, Accommodation, Subsistence and Other Allowances		760 508	74 381	760 508	74 381
Housing Benefits and Allowances		49 213	55 044	49 213	55 044
Overtime Payments		5 506	720	5 007	720
Bonuses		457 830	646 644	427 243	646 644
Leave Provision		419 262	136 977	419 262	136 977
Long Service Awards		-	63 867	-	63 867
Contribution to provision - Long Service Awards		40 796	37 114	40 796	37 114
Contribution to provision - Post Retirement Medical		313 938	152 542	313 938	152 542
		<u>7 982 415</u>	<u>2 343 653</u>	<u>7 802 182</u>	<u>2 343 653</u>
<u>Less:</u> Employee Costs allocated elsewhere		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Employee Related Costs</b>		<u>7 982 415</u>	<u>2 343 653</u>	<u>7 802 182</u>	<u>2 343 653</u>
<b>KEY MANAGEMENT PERSONNEL</b>					
Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.					
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>					
<i>Remuneration of the Municipal Manager - Mr S Jooste</i>					
Annual Remuneration		731 958	906 521	731 958	906 521
Travelling Reimbursement		200 000	140 862	200 000	140 862
Performance Bonuses		94 371	93 094	94 371	93 094
Telephone Allowance		13 200	14 400	13 200	14 400
Contributions to UIF, Medical, Pension Funds and Bargaining Council		42 133	-	42 133	-
<b>Total</b>		<u>1 081 662</u>	<u>1 154 877</u>	<u>1 081 662</u>	<u>1 154 877</u>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R	2013 R	2012 R
<b><i>Remuneration of the Chief Financial Officer</i></b>				
Annual Remuneration	19 894	806 805	19 894	806 805
Traveling Reimbursement	-	65 960	-	65 960
Performance Bonuses	-	82 845	-	82 845
Telephone allowance	-	3 600	-	3 600
Leave Payments	55 261	69 557	55 261	69 557
<b>Total</b>	<b>75 154</b>	<b>1 028 767</b>	<b>75 154</b>	<b>1 028 767</b>
<b><i>Remuneration of the Director Technical Services</i></b>				
Annual Remuneration	533 095	725 219	533 095	725 219
Traveling Reimbursement	100 000	155 888	100 000	155 888
Performance Bonus	63 323	74 467	63 323	74 467
Cell Phone Allowance	-	3 600	-	3 600
Contributions - UIF, Medical, Pension	131 513	-	131 513	-
<b>Total</b>	<b>827 931</b>	<b>959 174</b>	<b>827 931</b>	<b>959 174</b>
<b><i>Remuneration of the Director Corporate and Support Services</i></b>				
Annual Remuneration	661 324	770 546	661 324	770 546
Traveling Reimbursement	84 000	59 101	84 000	59 101
Performance Bonus	60 635	79 122	60 635	79 122
Cell Phone Allowance	7 260	3 600	7 360	3 600
Leave Payments	-	1 981	-	1 981
Contributions - UIF, Medical, Pension	132 545	-	132 545	-
<b>Total</b>	<b>945 863</b>	<b>914 330</b>	<b>945 863</b>	<b>914 330</b>
<b>21 REMUNERATION OF COUNCILLORS</b>				
Mayor	696 873	614 323	696 873	614 323
Executive Committee Members	1 401 396	1 238 222	1 401 396	1 238 222
Councillors	1 115 920	967 032	1 115 920	967 032
<b>Total Councillors' Remuneration</b>	<b>3 214 189</b>	<b>2 819 577</b>	<b>3 214 189</b>	<b>2 819 577</b>
<b><i>In-kind Benefits</i></b>				
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee members are full-time Councillors. Each are provided with an office and shared secretarial support at the cost of the Council. The Executive Mayor may utilise official Council Transportation when engaged in official duties.				
<b>22 DEBT IMPAIRMENT</b>				
Trade Receivables from non-exchange transactions - Note 13	281 529	-	281 529	-
<b>Debt impairment recognised in statement of financial performance</b>	<b>281 529</b>	<b>-</b>	<b>281 529</b>	<b>-</b>
<b>23 DEPRECIATION AND AMORTISATION</b>				
Property Plant and Equipment	570 812	573 315	570 812	573 315
Intangible Assets	42 561	42 230	42 561	42 230
	<b>613 373</b>	<b>615 545</b>	<b>613 373</b>	<b>615 545</b>
<b>24 IMPAIRMENTS</b>				
Non-Current Investments	-	-	237 634	-
Property, Plant and Equipment	18 783	-	18 783	-
	<b>18 783</b>	<b>-</b>	<b>256 417</b>	<b>-</b>
<b>25 FINANCE CHARGES</b>				
Employee Benefits	1 001 590	934 574	1 001 590	934 574
Interest Overdraft	-	37 001	-	37 001
Finance leases	34 010	39 319	34 010	39 319
<b>Total finance charges</b>	<b>1 035 600</b>	<b>1 010 894</b>	<b>1 035 600</b>	<b>1 010 894</b>
<b>26 GRANTS UTILISED</b>				
Roads Agency Services	27 015 073	26 726 523	27 015 073	26 726 523
<b>Total Grants and Subsidies</b>	<b>27 015 073</b>	<b>26 726 523</b>	<b>27 015 073</b>	<b>26 726 523</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R	2013 R	2012 R
<b>27 GENERAL EXPENSES</b>				
Advertisements	25 442	60 746	25 442	60 746
Anchor Projects	10 500	27 080	10 500	27 080
Bank Charges	116 152	84 512	116 152	84 512
Fuel and Oil	60 275	44 437	59 012	44 437
Study Fund	24 016	72 125	24 016	72 125
Sundry Expenditure	147 922	9 064	144 450	9 064
Printing and Stationery	91 327	92 763	91 327	92 763
Nutrition Scheme	85 681	76 295	85 681	76 295
Rates	64 103	59 893	64 103	59 893
Electricity, Water and Sanitation	176 252	152 029	169 652	152 029
Global Fund	1 809 631	1 297 660	1 809 631	1 297 660
Household Expenses	10 177	19 511	10 177	19 511
Rent	66 050	65 000	66 050	55 000
Membership Fees	417 598	212 972	417 598	212 972
Licences	1 332	(1 091)	1 332	(1 091)
Milk Powder	314 681	233 121	314 681	233 121
Samples: Milk, Water and Food	161 633	45 038	161 633	45 038
Expanded Public Works Program	898 373	657 465	898 373	657 465
Entertainment	4 630	7 964	4 630	7 964
Entertainment: Mayor	90 591	62 117	90 591	62 117
Entertainment: Speaker	11 064	2 937	11 064	2 937
Entertainment: Deputy Mayor	9 535	2 843	9 535	2 843
Training	23 988	(7 183)	23 988	(7 183)
Audit fees	759 167	1 204 641	759 167	1 204 641
Training Fund	200 225	197 293	200 225	197 293
Public Functions	51 611	55 037	51 611	55 037
Legal Fees	8 466	1 671	8 466	1 671
Travel and Subsistence	801 785	739 664	781 018	739 664
Travel and Subsistence: Council	199 086	194 002	199 086	194 002
Registration and Congress Fees	25 807	29 082	25 807	29 082
Computer Expenses	56 779	174 641	53 754	174 641
Telephone and Postage	364 949	322 580	343 713	322 580
Insurance: General	97 957	93 846	97 957	93 846
Travel Cost: Furniture	4 000	3 756	4 000	3 756
Work for Water Project	2 160 571	2 084 332	2 160 571	2 084 332
Integrated Development Plan : Economic	87 269	91 601	87 269	91 601
Integrated Development Plan : Financial Services	537 692	152 672	537 692	152 672
Integrated Development Plan : Institutional		111 125		111 125
Implement Projects	1 560	82 574	1 560	82 574
Finance Management Grant Interns	1 078 017	442 013	1 078 017	442 013
Inventory items		9 335		9 335
Sundry Projects	110 470	117 833	110 470	117 833
Integrated Development Plan : Revaluation		284 734		284 734
Economic Development Agency	196 639	760 636	196 639	760 636
General Expenses	<b>11 363 203</b>	<b>10 420 366</b>	<b>11 306 840</b>	<b>10 420 366</b>

<b>28 TAXATION</b>	-	-	-	-
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Normal taxation

No taxation is payable since the Economic Entity has an assessed tax loss.

No provision were made for a deferred tax assets. In terms of current tax legislation it is not probable that the Economic Entity will make a taxable profit.

	2012 R	2011 R	2012 R	2011 R
<b>29 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>				
<b>29,1 Property Plant and Equipment</b>	<b>Cost</b>	<b>Cost</b>	<b>Cost</b>	<b>Cost</b>
<i>Balance previously reported - 30 June</i>	8 768 097	8 554 452	8 768 097	8 554 452
Correction of assets identified for the first time - Note 28,5	35 131	35 131	35 131	35 131
<i>Restated Balance</i>	<b>8 803 228</b>	<b>8 589 583</b>	<b>8 803 228</b>	<b>8 589 583</b>
<b>29,2 Property Plant and Equipment</b>	<b>Accumulated depreciation</b>	<b>Accumulated depreciation</b>	<b>Accumulated depreciation</b>	<b>Accumulated depreciation</b>
<i>Balance previously reported - 30 June</i>	4 630 974	3 992 017	4 630 974	3 992 017
Correction of incorrect depreciation calculation - Note 28,5	(663 160)	(423 094)	(663 160)	(423 094)
<i>Restated Balance</i>	<b>3 967 814</b>	<b>3 568 923</b>	<b>3 967 814</b>	<b>3 568 923</b>
	<b>2012 R</b>	<b>2011 R</b>	<b>2012 R</b>	<b>2011 R</b>
<b>29,3 Intangible Assets</b>				
<i>Balance previously reported - 30 June</i>	205 486	126 291	205 486	126 291
Correction of incorrect depreciation calculation - Note 28,5	(76 433)	(39 468)	(76 433)	(39 468)
<i>Restated Balance</i>	<b>129 053</b>	<b>86 823</b>	<b>129 053</b>	<b>86 823</b>
<b>29,4 Other Receivables from Non-Exchange Transactions</b>				
<i>Balance previously reported - 30 June</i>	736 442	814 002	736 442	814 002
Correction of insurance claim accrued in 2010/2011 financial year - Note 28,5	(101 456)	(101 456)	(101 456)	(101 456)
<i>Restated Balance</i>	<b>634 986</b>	<b>712 546</b>	<b>634 986</b>	<b>712 546</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R	2013 R	2012 R
<b>29.5 Employee related cost - Post retirement benefits</b>					
<i>Balance previously reported - 30 June</i>		1 665 981	-	1 665 981	-
Employee benefit obligation for Department of Transport - Note 20		(6 839 113)	-	(6 839 113)	-
<i>Restated Balance</i>		<b>(5 173 132)</b>	<b>-</b>	<b>(5 173 132)</b>	<b>-</b>
<b>29.6 Accumulated Surplus/(Deficit)</b>					
<i>Balance previously reported - 30 June</i>		(8 873 612)	(12 936 943)	(8 873 612)	(12 936 943)
Correction of assets identified for the first time - Note 29.6		35 131	35 131	35 131	35 131
Correction of incorrect depreciation calculation - Note 29		739 593	462 562	739 593	462 562
Correction of insurance claim accrued in 2010/2011 financial year		(101 456)	(101 456)	(101 456)	(101 456)
<i>Restated Balance</i>		<b>(8 200 345)</b>	<b>(12 540 706)</b>	<b>(8 200 345)</b>	<b>(12 540 706)</b>
<b>30 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>					
Deficit for the year		(956 377)	4 340 361	(956 378)	4 340 361
<b>Adjustments for:</b>					
Depreciation		570 812	573 315	570 812	573 315
Amortisation of Intangible Assets		42 561	42 230	42 561	42 230
Gain on disposal of property, plant and equipment		-	-	-	-
Loss on disposal of property, plant and equipment		86 748	19 782	86 748	19 782
Interest on Employee benefits		1 001 590	934 574	1 001 590	934 574
Contribution to provisions – bad debt		281 529	-	281 529	-
Contribution to provisions – bad debt - long term receivables		-	-	-	-
Contribution to short term employee benefits		1 182 699	(43 209)	1 182 699	(43 209)
Contribution from/to employee benefits		494 304	746 034	494 304	746 034
Actuarial Gains		324 718	2 372 169	324 718	2 372 169
Non - cash movement in employee benefits		(430 877)	414 500	(430 877)	414 500
Fair Value Adjustments		18 783	-	256 417	-
Impairment written off		44 703 391	48 319 792	44 703 391	48 319 792
Grants Received		(47 355 039)	(47 131 654)	(47 355 039)	(47 131 654)
Grant Expenditure		-	-	-	-
Operating Surplus/(Deficit) before changes in working capital		(35 157)	10 587 895	202 476	10 587 895
Changes in working capital		2 154 854	(4 126 522)	2 154 954	(4 126 522)
Increase/(Decrease) in Trade and Other Payables		2 575 538	217 154	2 575 536	217 154
Increase/(Decrease) in Unspent and Unpaid Grants		-	(3 215 560)	-	(3 215 560)
Increase/(Decrease) in Taxes		(1 165)	58 961	(1 165)	58 961
(Increase)/Decrease in Inventory		318 832	(333 565)	318 832	(333 565)
(Increase)/Decrease in Trade and other receivables		(738 349)	(653 512)	(738 249)	(653 512)
<b>Cash generated/(absorbed) by operations</b>		<b>2 119 697</b>	<b>6 461 373</b>	<b>2 357 429</b>	<b>6 461 373</b>
<b>31 NON - CASH INVESTING AND FINANCING ACTIVITIES</b>					
<b>31.1 Employee benefits</b>					
Movements for the year		819 022	3 118 204	819 022	3 118 204
Non - Cash movement current portion of employee benefits		(304 111)	(6 976 905)	(304 111)	(6 976 905)
		<b>514 911</b>	<b>(3 858 701)</b>	<b>514 911</b>	<b>(3 858 701)</b>
<b>31.2 Current Employee benefits</b>					
Movements for the year		170 225	53 228	170 225	53 228
Non - Cash movement current portion of employee benefits		(126 766)	(414 502)	(126 766)	(414 502)
		<b>43 459</b>	<b>(361 274)</b>	<b>43 459</b>	<b>(361 274)</b>
<b>31.3 Long term receivables</b>					
Movements for the year		304 111	6 976 905	304 111	6 976 905
Non - Cash movement current portion of employee benefits		(304 111)	(6 976 905)	(304 111)	(6 976 905)
		-	-	-	-
<b>31.4 Short term receivables</b>					
Movements for the year		126 766	414 502	126 766	414 502
Non - Cash movement current portion of employee benefits		(126 766)	(414 502)	(126 766)	(414 502)
		-	-	-	-
<b>32 CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents included in the cash flow statement comprise the following:					
Call Investments Deposits - Note 15		1 356 004	1 356 004	1 356 004	1 356 004
Cash Floats - Note 15		1 300	1 300	1 300	1 300
Bank - Note 15		529 733	-	529 733	-
Bank overdraft - Note 15		-	(1 621 640)	-	(1 621 640)
<b>Total cash and cash equivalents</b>		<b>1 887 037</b>	<b>(264 336)</b>	<b>1 887 037</b>	<b>(264 336)</b>
<b>33 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>					
Cash and Cash Equivalents - Note 32		1 887 037	(264 336)	1 887 037	(264 336)
Investments - Note 10		-	-	-	-
Less:		1 887 037	(264 336)	1 887 037	(264 336)
Unspent Committed Conditional Grants - Note 5		3 030 138	4 727 218	3 030 138	4 727 218
Resources available for working capital requirements		(1 143 101)	(4 991 554)	(1 143 102)	(4 991 554)

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		2013 R	2012 R	2013 R	2012 R
<b>34</b>	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
	Long-term Liabilities - Note 2	157 307	213 759	157 307	213 759
	Used to finance property, plant and equipment - at cost	(157 307)	(213 759)	(157 307)	(213 759)
	Cash set aside for the repayment of long-term liabilities	-	-	-	-
	<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
<b>35</b>	<b>BUDGET COMPARISONS</b>				
		2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
<b>35,1</b>	<b>Operational</b>				
	Revenue by source				
	Government Grants and Subsidies - Operating	47 355 039	53 124 089	(5 769 050)	-11%
	Actual Gains	-	-	-	0%
	Internal Charges	-	(256 594)	256 594	-100%
	Rental of Facilities and Equipment	95 640	82 500	13 140	16%
	Interest Earned - external investments	98 956	70 000	28 956	41%
	Licences and Permits	19 640	11 500	8 040	70%
	Agency Services	2 892 849	-	2 892 849	100%
	Other Income	1 229 033	1 075 100	153 933	14%
		<b>51 691 057</b>	<b>54 106 595</b>	<b>(2 415 538)</b>	<b>-4%</b>
	Expenditure by nature				
	Employee Related Costs	7 983 452	7 939 381	(44 071)	1%
	Remuneration of Councillors	3 214 189	3 044 854	(169 335)	6%
	Debt Impairment	281 529	-	(281 529)	-100%
	Depreciation and Amortisation	613 373	650 169	36 796	-5%
	Impairments	18 783	-	(18 783)	-100%
	Repairs and Maintenance	69 810	117 000	47 190	-40%
	Finance Charges	1 035 600	50 000	(985 600)	1971%
	Contracted services	640 956	550 000	(90 956)	17%
	Grants Utilised	27 015 073	27 093 000	77 927	0%
	General Expenses	11 363 203	14 444 629	3 081 426	-21%
	Loss on disposal of Property, Plant and Equipment	86 748	-	(86 748)	-100%
	Actuarial Losses	324 718	892 718	568 000	64%
		<b>52 647 434</b>	<b>54 781 751</b>	<b>2 134 317</b>	<b>-4%</b>
	Net Surplus for the year	<b>(956 377)</b>	<b>(675 156)</b>	<b>(281 221)</b>	<b>42%</b>
		2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
<b>35,2</b>	<b>Expenditure by Vote</b>				
	Executive and Council	5 054 230	5 331 839	(277 609)	-5%
	Budget and Treasury	6 581 932	6 375 838	206 094	3%
	Corporate Services	8 430 979	9 352 336	(921 357)	-10%
	Planning and Development	2 203 791	3 465 724	(1 261 933)	-36%
	Health	2 639 030	2 354 104	284 926	12%
	Public Safety	671 989	734 335	(62 346)	-8%
	Road Transport	27 066 965	27 167 575	(100 610)	0%
		<b>52 648 916</b>	<b>54 781 751</b>	<b>(2 132 835)</b>	<b>-4%</b>
<b>36</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>	2013 R	2012 R	2013 R	2012 R
<b>36,1</b>	<b>Unauthorised expenditure</b>				
	Reconciliation of unauthorised expenditure:				
	Opening balance	1 836 948	1 810 241	1 836 948	1 810 241
	Unauthorised expenditure current year - operating	728 554	1 836 948	491 020	1 836 948
	Written off by council	(1 836 948)	(1 810 241)	(1 836 948)	(1 810 241)
	Unauthorised expenditure awaiting authorisation	<b>728 554</b>	<b>1 836 948</b>	<b>491 020</b>	<b>1 836 948</b>
	Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for depreciation and amortisation of R 4 524 935.				

incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R	2013 R	2012 R
<b>36.2 Irregular expenditure</b>				
Reconciliation of irregular expenditure:				
Opening balance	597 126	-	597 126	-
Irregular expenditure current year	2 812 553	597 126	2 812 553	597 126
Condonement supported by council	(597 126)	-	(597 126)	-
Transfer to receivables for recovery	-	-	-	-
Irregular expenditure awaiting further action	<b>2 812 553</b>	<b>597 126</b>	<b>2 812 553</b>	<b>597 126</b>

Irregular expenditure awaiting condonement from National Treasury

Incident	Disciplinary steps/criminal proceedings	2013 R	2012 R
Purchases made without tax clearance certificates	None	135 073	135 073
Preferential point system not applied in tender process.	None	-	-
Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained	None	102 714	102 714
		<b>237 787</b>	<b>237 787</b>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

**36.2 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents listed hereunder have been condoned.

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Between R30,001 and R200,000	Up to R30,000
Emergency	-	3 794,00
Impractical	98 909,00	957 272,00
Sole Supplier	225 790,00	1 068 218,00
Grand Total	<b>324 699</b>	<b>2 029 284</b>

The major deviations were as follows:

Awarded to	Reason/Explanation	Amount
Klein Karoo Koopersie	Sole Co-operation in Prince Albert and only supplier of required equipment.	175 973,91
Murraysburg Vulstasie	Sole supplier of fuel and oil in Murraysburg.	151 247,88
Barloworld Equipment	Impractical procurement process. Official agents for CAT.	123 771,04
Victor Se Garage	Sole supplier of fuel and oil in Merweville.	110 444,45
Donkin Motors	Sole supplier of fuel and oil on credit in Beaufort West.	105 193,19
Beaufort Alarms CC	Sole supplier of alarms, armed response and monitoring in Beaufort West.	94 841,84
National Garage	Sole supplier of fuel and oil on credit in Prince Albert.	88 705,27
CP Nel Oudtshoorn	Impractical procurement process. Official agents for Chevrolet, Isuzu and Opel.	85 082,25
Halfway Toyota	Impractical procurement process. Official agents for Toyota..	83 615,17
ELB Equipment LTD	Impractical procurement process. Official agents for certain parts required in machinery and equipment.	80 541,04
Total		<b>1 099 416,04</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**36,3 Material Losses**

No material losses occurred

	2013 R	2012 R	2013 R	2012 R
<b>37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>37,1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>				
Opening balance	400 000	200 000	400 000	200 000
Council subscriptions	(400 000)	(200 000)	(400 000)	(200 000)
Amount paid - current year				
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	2013 R	2012 R	2013 R	2012 R
<b>37,2 Audit fees - [MFMA 125 (1)(b)]</b>				
Opening balance	759 167	1 204 641	759 167	1 204 641
Current year audit fee	759 167	1 204 641	759 167	1 204 641
External Audit - Auditor-General	(759 167)	(1 204 641)	(759 167)	(1 204 641)
Amount paid - current year				
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	2013 R	2012 R	2013 R	2012 R
<b>37,3 VAT - [MFMA 125 (1)(b)]</b>				
Opening balance	153 685	212 646	153 685	212 646
Amounts received - current year	(675 936)	(58 981)	(675 936)	(58 981)
Amounts claimed - current year	680 557	-	680 557	-
<b>Closing balance - Receivable</b>	<b>158 307</b>	<b>153 685</b>	<b>158 307</b>	<b>153 685</b>
Vat in suspense due to cash basis of accounting				
Input VAT	154 850	153 685	154 850	153 685
Receivable	154 850	153 685	154 850	153 685
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.				
	2013 R	2012 R	2013 R	2012 R
<b>37,4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>				
Opening balance	(32 178)	(12 667)	(32 178)	(12 667)
Current year payroll deductions and Council Contributions	3 360 958	3 206 306	3 360 958	3 206 306
Amount paid - current year	(3 360 958)	(3 225 817)	(3 360 958)	(3 225 817)
<b>Balance unpaid (included in creditors)</b>	<b>(32 178)</b>	<b>(32 178)</b>	<b>(32 178)</b>	<b>(32 178)</b>
	2013 R	2012 R	2013 R	2012 R
<b>37,5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>				
Opening balance	1 380	(191)	1 390	(191)
Current year payroll deductions and Council Contributions	3 614 292	5 749 281	3 614 292	5 749 281
Amount paid - current year	(3 614 292)	(5 747 700)	(3 614 292)	(5 747 700)
<b>Balance unpaid (included in creditors)</b>	<b>1 390</b>	<b>1 390</b>	<b>1 390</b>	<b>1 390</b>
	2013 R	2012 R	2013 R	2012 R
<b>37,6 Unlisted investment in Central Karoo Development Agency SOC Ltd - [MFMA 125 (1)(b)]</b>				
Cost	-	-	100	-
Owners contribution during the year	-	-	237 534	-
Impairments	-	-	(237 534)	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	2013 R	2012 R	2013 R	2012 R
<b>37,7 Other non-compliance (MFMA 125(2)(e))</b>				

126. (1) The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing, and must in addition, in the case of a municipality referred to in section 122(2), 30 prepare consolidated annual financial statements in terms of that section and, within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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FINANCIAL RISK MANAGEMENT

The activities of the Economic Entity expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Economic Entity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Economic Entity's financial performance.

**(a) Foreign Exchange Currency Risk**

The Economic Entity does not engage in foreign currency transactions.

**(b) Price risk**

The Economic Entity is not exposed to price risk.

**(c) Interest Rate Risk**

As the Economic Entity has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The Economic Entity analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Economic Entity did not hedge against any interest rate risks during the current year.

	2013 R	2012 R	2013 R	2012 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:				
1% (2012 - 0.5%) Increase in interest rates	17 284	(2 397)	17 284	(2 397)
0.5% (2012 - 0.5%) Decrease in interest rates	(8 642)	2 397	(8 642)	2 397

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Economic Entity to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the Economic Entity effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 13 and 13 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 and 13 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 13 and 13 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Investments to the value of R 2 000 000 were held as security for the overdraft facility at FNB. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the Economic Entity for current and non-current investments are all listed on the JSE (First National Bank and ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	7 822 284	7 391 407	7 822 284	7 391 407
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	368 143	631 484	368 143	631 484
Cash and Cash Equivalents	1 887 037	1 357 304	1 887 037	1 357 304
Non-Current Investments	-	-	-	-
Unpaid conditional grants and subsidies	<u>1 462 663</u>	<u>508 095</u>	<u>1 462 663</u>	<u>508 095</u>
	<u>11 540 127</u>	<u>9 888 290</u>	<u>11 540 127</u>	<u>9 888 290</u>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2013</b>				
Long Term liabilities - Finance Lease Liability		76 459	123 912	-
Capital repayments	52 298	105 009	-	-
Interest	24 162	18 903	-	-
Trade and Other Payables	5 002 073	-	-	-
Unspent conditional government grants and receipts	3 030 138	-	-	-
	<b>8 108 670</b>	<b>123 912</b>	<b>-</b>	<b>-</b>
<b>2012</b>				
Long Term liabilities - Finance Lease Liability		90 463	200 372	-
Capital repayments	56 453	157 307	-	-
Interest	34 010	43 065	-	-
Trade and Other Payables	2 262 879	-	-	-
Unspent conditional government grants and receipts	4 727 218	-	-	-
Cash and Cash Equivalents	1 621 640	-	-	-
	<b>8 702 200</b>	<b>200 372</b>	<b>-</b>	<b>-</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

**40 FINANCIAL INSTRUMENTS**

In accordance with GRAP 104 the financial instruments of the Economic Entity are classified as follows:

<b>40.1</b>	<b>Financial Assets</b>	<b>Classification</b>			
<b>Long-term Receivables</b>					
Department of Transport: Roads - Post Employment Health Care Benefits	Financial Instruments at amortised cost	6 300 652	6 070 697	6 300 652	6 070 697
Department of Transport: Roads - Long Service Awards	Financial Instruments at amortised cost	966 656	839 092	966 656	839 092
Department of Transport: Roads - Ex-Gratia Pension Benefits	Financial Instruments at amortised cost	554 976	481 618	554 976	481 618
<b>Receivables</b>					
Receivables from exchange transactions	Financial Instruments at amortised cost	-	-	-	-
Receivables from non-exchange transactions	Financial Instruments at amortised cost	368 143	631 484	368 143	631 484
<b>Other Receivables</b>					
Government Subsidies and Grants	Financial Instruments at amortised cost	1 462 663	508 095	1 462 663	508 095
<b>Current Portion of Long-term Receivables</b>					
Department of Transport: Roads - Post Employment Health Care Benefits	Financial Instruments at amortised cost	361 873	336 800	361 873	336 800
Department of Transport: Roads - Long Service Awards	Financial Instruments at amortised cost	120 142	77 702	120 142	77 702
Department of Transport: Roads - Ex-Gratia Pension Benefits	Financial Instruments at amortised cost	59 253	-	59 253	-
<b>Short-term Investment Deposits</b>					
Call Deposits	Financial Instruments at amortised cost	1 356 004	1 356 004	1 356 004	1 356 004
<b>Bank Balances and Cash</b>					
Bank Balances	Financial Instruments at amortised cost	529 733	-	529 733	-
Cash Floats and Advances	Financial Instruments at amortised cost	1 300	1 300	1 300	1 300
		<b>12 081 395</b>	<b>10 302 792</b>	<b>12 081 395</b>	<b>10 302 792</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>					
Financial instruments at amortised cost		<b>12 081 395</b>	<b>10 302 792</b>	<b>12 081 395</b>	<b>10 302 792</b>
At amortised cost		<b>12 081 395</b>	<b>10 302 792</b>	<b>12 081 395</b>	<b>10 302 792</b>
<b>40.2</b>	<b>Financial Liability</b>	<b>Classification</b>			
<b>Long-term Liabilities</b>					
Capitalised Lease Liability	Financial Instruments at amortised cost	105 009	131 435	105 009	131 435
<b>Payables from exchange transactions</b>					
Trade creditors	Financial Instruments at amortised cost	4 669 855	1 224 734	4 669 855	1 224 734
Arrear portion of long term liabilities	Financial Instruments at amortised cost	-	-	-	-
Retentions	Financial Instruments at amortised cost	-	42 797	-	42 797
<b>Other Payables</b>					
Government Subsidies and Grants	Financial Instruments at amortised cost	3 030 138	4 727 218	3 030 138	4 727 218
<b>Current Portion of Long-term Liabilities</b>					
Capitalised Lease Liability	Financial Instruments at amortised cost	52 298	82 324	52 298	82 324
		<b>7 857 300</b>	<b>6 208 508</b>	<b>7 857 300</b>	<b>6 208 508</b>
<b>SUMMARY OF FINANCIAL LIABILITY</b>					
Financial Instruments at amortised cost		<b>7 857 300</b>	<b>6 208 508</b>	<b>7 857 300</b>	<b>6 208 508</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R	2013 R	2012 R
<b>41</b>	<b>EVENTS AFTER THE REPORTING DATE</b>				
	The Economic Entity has no events after reporting date during the financial year ended 2012/2013.				
<b>42</b>	<b>IN-KIND DONATIONS AND ASSISTANCE</b>				
	The Economic Entity did not receive any in-kind donations or assistance during the year under review.				
<b>43</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>				
	Council has not entered into any private public partnerships during the financial year.				
<b>44</b>	<b>CONTINGENT LIABILITY</b>				
	SALGA on behalf of municipalities are in a dispute with IMATU regarding the wage curve. The dispute is currently awaiting judgement by the Labour Appeals Court.				
	Mr. CJ Kymdell who was the previous Chief Financial Officer is currently disputing the non payment of his performance bonus before resignation from Central Karoo District Municipality.	600 000	350 000	500 000	350 000
		74 700	-	74 700	-
<b>45</b>	<b>RELATED PARTIES</b>				

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**45,1 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 11 to the Annual Financial Statements.

**45,2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 20 to the Annual Financial Statements.

**45,3 Other related party transactions**

The following purchases were made during the year where Councillors or staff have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>
D Maars	Beaufort West Advice and Development Centre
F Maxhegwna	Nelspoort Aids Action Group

**46 FINANCIAL SUSTAINABILITY**

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

**Financial Indicators**

The current ratio increased to 0.45:1 from 0.35:1 in the prior year.

The Economic Entity have budgeted for a deficit of R 678 656 for the 2012/2013 financial year. The Economic Entity is also budgeting for a positive cash flows during 2012/2013 and 2013/2014 amounting to R 765 636 and R 3 736 000 respectively.

**Other Indicators**

Possible outflow of resources due the contingent liability disclosed in note 44

**APPENDIX A - Unaudited  
CENTRAL KAROO DISTRICT MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Correction	Balance at 30 JUNE 2012 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
<b>LEASE LIABILITY</b>									
Gestetner MP 6001 SP	20,00%		30/11/2016	159 294	-	159 294	-	38 026	121 268
Gestetner MP 2000 SP				8 612	-	8 612	-	8 612	-
Gestetner MP 161 SPF				3 751	-	3 751	-	3 751	-
Gestetner MPC 3001	13,00%		30/11/2015	42 102	-	42 102	-	6 063	36 039
<b>Total Lease Liabilities</b>				<b>213 759</b>	<b>-</b>	<b>213 759</b>	<b>-</b>	<b>56 452</b>	<b>157 307</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>213 759</b>	<b>-</b>	<b>213 759</b>	<b>-</b>	<b>56 452</b>	<b>157 307</b>

**APPENDIX B - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**  
**MUNICIPAL VOTES CLASSIFICATION**

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
-	5 406 287	5 406 287	MUNICIPAL MANAGER	-	(1 166 609)	(1 166 609)
1 006 137	(3 443 336)	(2 437 199)	COUNCIL GENERAL EXPENSES	-	(3 887 621)	(3 887 621)
10 993 563	(8 726 341)	2 267 222	FINANCIAL SERVICES	15 343 764	(6 581 932)	8 761 832
5 067 983	(1 935 103)	3 132 880	CORPORATE SERVICES	10 890	(3 365 590)	(3 354 700)
2 078 613	(3 977 743)	(1 899 130)	PLANNING AND DEVELOPMENT	1 104 238	(2 203 791)	(1 099 553)
881 379	(2 246 260)	(1 364 881)	HEALTH	239 374	(2 639 030)	(2 399 656)
4 159 601	(4 159 601)	-	OTHER	4 964 305	(5 065 389)	(101 084)
92 073	(798 942)	(706 869)	PUBLIC SAFETY	-	(671 989)	(671 989)
-	-	-	WASTE MANAGEMENT	-	-	-
26 751 094	(26 809 045)	(57 951)	ROAD TRANSPORT	30 029 965	(27 066 965)	2 963 000
-	-	-	CAPITAL PROJECTS	-	-	-
51 030 443	(46 690 084)	4 340 359	<b>Sub Total</b>	51 692 536	(52 648 916)	(956 380)
-	-	-		-	-	-
51 030 443	(46 690 084)	4 340 359	<b>Total</b>	51 692 536	(52 648 916)	(956 380)

**APPENDIX C - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
1 006 137	1 962 951	2 969 088	Executive and Council	-	(5 054 230)	(5 054 230)
10 993 563	(8 726 341)	2 267 222	Budget and Treasury	15 343 764	(6 581 932)	8 761 832
9 227 584	(6 094 704)	3 132 880	Corporate Services	4 975 195	(8 430 979)	(3 455 783)
2 078 613	(3 977 743)	(1 899 130)	Planning and Development	1 104 238	(2 203 791)	(1 099 553)
881 379	(2 246 260)	(1 364 880)	Health	239 374	(2 639 030)	(2 399 656)
92 073	(798 942)	(706 869)	Public Safety	-	(671 989)	(671 989)
26 751 094	(26 809 045)	(57 951)	Road Transport	30 029 965	(27 066 965)	2 963 001
-	0	0	Capital projects	-	0	0
<b>51 030 445</b>	<b>(46 690 085)</b>	<b>4 340 360</b>	<b>Total</b>	<b>51 692 537</b>	<b>(52 648 916)</b>	<b>(956 379)</b>

**APPENDIX D - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2012	Grants Received	Operating Expenditure during the year	Balance 30 JUNE 2013
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>				
	R	R	R	R
<b>National Government Grants</b>				
Equitable Share	-	12 981 000	12 981 000	-
Local Government Financial Management Grant	-	1 250 000	1 253 654	(3 654)
Municipal Systems Improvement Grant	-	1 000 000	1 003 262	(3 262)
EPWP	(42 465)	1 000 000	1 024 146	(66 611)
Work for Water Project	817 196	2 204 538	2 256 538	765 196
Dept. Local Government	(284 734)	500 000	124 500	90 766
<b>Total National Government Grants</b>	<b>489 997</b>	<b>18 935 538</b>	<b>18 643 099</b>	<b>782 436</b>
<b>Provincial Government Grants</b>				
Financial Management Grant	-	700 000	-	700 000
Global Fund Projects	(53 430)	1 535 343	1 511 756	(29 843)
Roads Agency Services	2 435 846	23 385 629	27 137 117	(1 315 641)
Primary Health Care	(3 142)	-	-	(3 142)
EDA	(111 735)	85 916	-	(25 819)
Ambulance Subsidies	(8 501)	9 511	7 133	(6 123)
<b>Total Provincial Government Grants</b>	<b>2 259 038</b>	<b>25 716 399</b>	<b>28 656 006</b>	<b>(680 569)</b>
<b>Other Grant Providers</b>				
Tourism Biosfeer	50 855	-	-	50 855
Tourism Sustainability	123 321	-	-	123 321
Nutrition Scheme	(4 088)	51 454	55 934	(8 568)
Mechanical Replacement	1 300 000	-	-	1 300 000
<b>Total Other Grant Providers</b>	<b>1 470 088</b>	<b>51 454</b>	<b>55 934</b>	<b>1 465 608</b>
<b>Total</b>	<b>4 219 123</b>	<b>44 703 391</b>	<b>47 355 039</b>	<b>1 567 475</b>